MAGAZINE OF THE ASSOCIATION OF ASIA PACIFIC AIRLINES

Orient aviation

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OPERATION HAPPY LANDINGS

Move to set user charges according to an airport's service standards gains momentum

PLUS:
Airports' focus

EXECUTIVE INTERVIEW:
Emirates' chief Maurice Flanagan

SPECIAL REPORTS:
Pilot training in the Asia-Pacific region

Regional Fleet Census: UPDATE

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- Sydney price hike fear
- Singapore building on hub status
- Thai PM calls for cut in airport fees
- President Arroyo steps in to try and solve Manila terminal fiasco

Photo: Mark Wagner/aviation-images.com

NEWS

EXECUTIVE PROFILE

SPECIAL REPORT ... TRAINING

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REGULAR FEATURES

TESTING TIME FOR AIRPORTS

The relationship between airlines and airports is like a marriage. The partners can't live without each other, but their union is often marked by periods of icy reserve and heated arguments.

It is hardly surprising, therefore, that airlines are showing signs of reaching the end of their tether in the long-running, often acrimonious debate over user fee levels at many airports.

If, as the International Air Transport Association (IATA) accuses, some airports are greedily chasing profits while their primary customers are reeling from US$20 billion in losses, such action is unforgivable.

Airlines understand many airports are privatised and shareholders with millions invested rightly want financial returns. But surely in a period of crisis these shareholders need to dampen their fiscal expectations.

Airport owners must understand there is a value chain and if a link in the chain – the airlines – becomes brittle, their own future prosperity is threatened.

Our cover story this month on the work being done jointly by IATA and Airports Council International (ACI) on Service Level Agreements (SLAs) designed to resolve user fee issues shows serious efforts are underway to formulate an acceptable solution to these constantly erupting airline/airport dogfights.

It is to be hoped individual airports take up the challenge – and it is a complex challenge – to work with their airline customers towards a mutually beneficial partnership.

IATA and ACI have an excellent relationship. The disputes are not between airlines and the airport community per se. They are between airlines and individual airports over what carriers perceive are indefensible levels of charging.

In some cases, airlines may be wrong. Charging levels may be justified. But they need to be able to see that. The system needs to be totally transparent so airlines know what they are paying for, why they are paying for it and why it is at the level it is.

There has to be a clear definition of what they can expect to get for their money in terms of the standard of facilities and levels of service. Airlines, too, need to understand their responsibilities in the process.

It is vital IATA and ACI succeed because the issue of user fees will likely take on added significance in Asia as more and more of the region's governments look towards privatising their airports and new owners seek ways to maximise their investment.

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Chief correspondent

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PERSPECTIVE

Edited by Christine McGee

DOWN AND DIRTY:

Australian **Chris Corrigan** and Britain's **Richard Branson** – joint owners of the profitable 30-month old no-frills operator, **Virgin Blue** of Australia – are taking their campaign to win gates at the former Sydney Ansett Terminal to the people. In September, passengers at the carrier's basic "temporary" Sydney terminal were greeted with the sight of a Virgin Blue jet emblazoned with "MACQUARIE STOP THE SYDNEY AIRPORT RORT"; reinforcement of the campaign the company has been running in all Australian media since August. Corrigan and Branson are at loggerheads with the new owners of Sydney Airport, Macquarie Airports, about the charges and conditions Macquarie wants for gates at the domestic terminal that it now owns at the airport complex. Virgin Blue said it had a deal to lease up to 40% of the ex-Ansett Terminal for A$18 million (US$9.8 million) per year for 15 years. But when Macquarie bought the airport earlier this year Virgin Blue said the new owner changed the rules, did not honour the agreement and wants to up the price for the gates and other airport facilities. Meanwhile, Qantas Airways has reached agreement with

Macquarie Airports cannot miss Virgin Blue's blunt message

Macquarie for additional gates at the domestic terminal for an undisclosed fee. Separately, the liquidator of defunct Ansett Australia has announced it has reduced its staff further – to 250 from 1,500. The remaining employees are mostly maintenance engineers, a statement said. Almost half of Ansett's 133 aircraft fleet have been either sold or returned to their leasing companies, the statement added.

SPENDING BIG:

Dragonair has never been a carrier known for spending big, even in its business class cabins, but after the launch of its Hong Kong-Taipei service in July it is splashing out on a huge advertising campaign – that must be keeping its advertising agency, DDB, very happy – to raise its profile among passengers yet to be converted to flying with the 17-year-old carrier. The campaign centres "around the spirit of the Dragon and the excitement of flying with Dragonair", said the airline's general manager marketing and sales, **Andy Tung**, a son of Hong Kong's chief executive, **Tung Chee-hwa**. That excitement has to be matched by the corporate electricity now being generated as the majority China-owned carrier and its home based former parent, **Cathay Pacific Airways**, dig in for their battle to compete for China -bound passengers into the mainland as well as Taipei (See page 31).

HE'S BACK:

Not that long ago, ex-**Cathay Pacific Airways** country manager, **Peter Foster**, persuaded four of his

Peter Foster, new chief executive at Royal Brunei Airlines

colleagues to join him in a consultancy that was intended to re-structure **Philippine Airlines**. Alas the chemistry between the team and PAL's **Lucio Tan**, the enigmatic chairman of the national flag carrier, evaporated after it took on the task and the **Regent Star Services Limited** team was asked to depart Manila. Foster eventually went on to join **Qatar Airways** as commercial director before he took up his first airline CEO's job – at **Royal Brunei Airlines** – from September 1. His appointment marks a departure for the carrier, a member of the **Association of Asia Pacific Airlines**, as normally the boss – titled executive director – of the airline is seconded from the civil service and rotated through the position for up to several years. The chairman of Royal Brunei said the airline's board had re-designated the title of executive director to chief executive.

PACIFIC POST?

Irrepressible **Continental Airlines'** chairman, **Gordon Bethune**, has sent the carrier's senior vice-president airport services out to mid-Pacific Guam to run the airline's subsidiary, **Continental Micronesia**. **Mark Erwin** became the Continental subsidiary's new president and chief executive in September, succeeding **Bill Meehan**, who has returned to Continental in the U.S. The Pacific carrier flies to 23 cities in the region, as well as Hawaii, using a fleet of 11 B737 and B767 airplanes. Alone among the big U.S. carriers, Continental is fighting hard to preserve its recently established niche as a carrier between Asia and The Americas, despite its ongoing problems with its crimson bottom line.

MANILA MESS:

While the Philippines Senate Committee continues its hearings into the legality of the construction and repayment terms of the new international Terminal Three at **Ninoy Aquino International Terminal** in Manila, its owners are now facing a legal challenge from employees at the old international facility (Terminal One). In a pre-emptive effort to extract favourable redundancy agreements for the alleged 12,000 Terminal One workers who will lose their jobs when Terminal Three opens, worker unions have asked the Supreme Court of the Philippines to nullify deals with the operators of the new terminal. The worker representatives said operators of all the facilities at the old international terminal, particularly the retailers, "would be barred from providing services to international airlines once Terminal Three becomes operational". There is some support at senator level for the operating terms for Terminal Three to be re-written amid reports that leading investor, German airport operator **Fraport**, wants to sell its stake in the terminal to the government.

REGIONAL ROUND-UP

THAI BOARD ADDS NINE PLANES TO SHOPPING LIST

Depending on government approval, **Thai Airways International (THAI)** will increase its fleet purchasing plan to 12 aircraft, from the previously announced three airplane purchase, during its October 2002 to September 2007 business plan. The fleet enhancement plan, estimated by THAI to cost 100 billion baht (US$2.36 billion), is intended to meet increasing passenger demand at a time when the airline will be operating under a new semi-privatised structure. At the same time, THAI announced plans to upgrade aircraft in its existing fleet and invest in facilities at the new Bangkok International Airport being built outside Bangkok.

CSA COMPLETES SICHUAN AIRLINES BUY

After several months of negotiations and government oversight, **China Southern Airlines (CSA)** has completed its purchase of 39% of mainland domestic carrier, Sichuan Airlines, at a cost of 136.5 million yuan (US$ 16.49 million) according to media reports in Guangzhou. Other investors reported to have bought into the carrier are **Shandong Airlines** (a 10% purchase for 35 million yuan) and **Shanghai Airlines** (also a 10% equity investor). The new deals apparently leave **Sichuan Provincial Asset Management**, the former majority owner of the western Chinese airline, with 40% of the new, shareholder re-structured **Sichuan Airlines**. At present the carrier, operating from a strategic domestic base in Chengdu, has a 13 aircraft fleet and a staff of almost 2,000. Chengdu has a proud tradition of aviation and is the home of the famous Chengdu aviation flying school.

In September, CSA announced it would launch a domestic A-share offering, intended to raise US$480-US$604 million, to fund the purchase of 20 Boeing passenger airplanes and two freighters, due for delivery from 2003.

ARC OF THE SUN

Japan Airlines and Japan Air System, working towards complete integration in 2004, have decided on sweeping changes in brand identity, with a new logo, called the arc of the sun, and a new aircraft livery to be introduced from the formal foundation of the new JAL Group on October 2.

The first aircraft in the new livery – a B777-200 – takes to the skies of Japan on domestic routes in November. On international routes, the first aircraft to sport the new design will be a DC-10 in December, operating on Asia-Pacific routes.■

AIR DO AND ANA STRIKE ALLIANCE DEAL

Air Do have signed up to a partnership with **All Nippon Airways (ANA)** to code-share on **Air Do's** six times daily service on its sole route – Tokyo Haneda/Sapporo – as part of its survival plan. ANA chief executive, Yoji Ohashi, said the two airlines had signed a basic alliance agreement to start code-share operations and implement a variety of measures to realise efficiencies and enhance services and revenue". Air Do's executive vice president, **Koichiro Ono**, said Air Do, which is technically broke, will still be offering the same low fares on an even lower cost base and that the

Eddington doubts SIA will launch start-up

Singapore Airlines (SIA) has said it is "keeping all options open" about its prospects of launching a new Australian domestic airline to fill the hole left by the collapse of partner Ansett Australia a year ago, **writes Tom Ballantyne**.

But **British Airways** chief executive and former **Ansett** boss, **Rod Eddington** (pictured right), told *Orient Aviation* he thinks such a move by SIA is unlikely.

Most analysts and industry observers agree.

Eddington said SIA serves all of Australia's major cities, capturing 95% of its leisure and 99% of its business traffic from these points.

"The number of people it needs to fly between Australian cities is minimal and they can be covered with an interline deal with Qantas, which it now has.

"I can't see why any full-service foreign airline would want to start up a domestic airline in Australia from scratch," said Eddington.

In a market now 80% dominated by Qantas the venture would be costly and risky.

After losing more than US$200 million through its failed Air New Zealand investment, SIA is cautious. The interline agreement it has signed with rival Qantas is designed to cover Australian domestic on-carriage requirements.

Some analysts even suggest this opens the way for SIA to buy British Airways' 18% interest in Qantas, down from around 22%, following a recent share issue.

Eddington told *Orient Aviation*: "I am personally committed to the Qantas relationship and I am keen to retain that shareholding. We have no intention of selling it to anyone."

Eddington has no qualms with Qantas, a member of its oneworld alliance, and rival **Star Alliance's** SIA, co-operating.

One of BA's own largest interline partners is Star's **United Airlines**.

During his Ansett days he fought for its sale to SIA rather than Air NZ and remains convinced it would have been the right course. "If SIA had been allowed to buy Ansett, it would still be flying today and you would have two full-service airlines in Australia," he said.■

new agreement will allow his airline to re-invent itself as the "Wings of Hokkaido". Air Do will use ANA's system for reservations and operations from December and ANA will have its code on Air Do flights from February next year when it will start purchasing 50% of seats on Air Do airplanes. ANA also has begun assisting Air Do in aircraft maintenance and spare parts purchasing and plans to share flight and cabin crew training and facilities.

EMBRAER-CHINA JOINT VENTURE?

Confident reports from **Embraer**, the Brazilian commuter jet manufacturer, and **China Aviation Industry Corp. II (AVIC)** indicate plans to establish a joint venture manufacturing plant in Harbin could come to fruition. The two manufacturers have said they intend to produce a 50-seater aircraft and will confirm details of the venture at the **Zhuhai Air Show** this November. **Embraer** president and chief executive, **Maurice Botelho**, has gone on public record to say he expects an agreement for the joint venture to be concluded by the end of the year. China believes the presence of regional jets in its airline fleets will increase from 17.8% of aircraft to 31.5% by 2020. Embraer estimates China will need about 580 regional jets, with a seat range of between 50 -110, in the next two decades.

BOMB SPECULATION IN CHINA CRASH

Mainland China carrier, **China Northern Airlines**, is continuing its investigations into the causes of the May 7 crash, near Dalian, of one of its airlines after it conceded the accident could have been caused by a homemade bomb.

In September, it was reported by *Agence France Presse* that a China Northern official said the crash that took the lives of 112 people "could have had some external cause", and "possibly was an act of sabotage". Hong Kong's *South China Morning Post* had reported that airline sources alleged a crude bomb had been taken on board the MD-82 airliner by a single male passenger who had planned his suicide. At press time, the **Civil Aviation Administration of China** had not made public the investigation report, which is believed to be in its hands.

CASHING IN BEFORE TAKE-OFF

Qantas Airways' new low-cost international operation, **Australian Airlines**, set to launch flights on October 27, is living up to chief executive, **Denis Adams**, high expectations.

When the first of the carrier's four B767-300s made its public debut in Sydney in September Adams disclosed reservations to Nagoya and Osaka were close to sold out and bookings for services to Fukuoka, Singapore, Taipei and Hong Kong, which start in late November, also were very high. Through the first quarter of next year load factors are above 60%.

ANG LEASES B767 FROM AWAS

Air Niugini (ANG) has signed a code-share deal with **Qantas Airways** after a fleet shuffle in which the Papua New Guinea flag carrier has replaced an A310-300 with a B767-300ER leased through **Ansett Worldwide**. The aircraft had been on lease to Air New Zealand since its original delivery from Boeing.

ANG is still searching for a new chief executive to succeed **Peter Roberts** who left in June. The code-share services with Qantas will operate between Port Moresby and Sydney using the wet-leased A310.■

BUSINESS ROUND-UP

SHANGHAI AIRLINES LAUNCHES DOMESTIC A SHARE LISTING

Shanghai's second carrier, **Shanghai Airlines**, launched its domestic initial public offering on September 19 in a bid to raise funds for new aircraft – with four Boeings (one B767, two B737-700s and one B737-800) and a Bombardier CRJ-200 regional jet topping the list. The carrier is now a major player in mainland aviation, partly because it is controlled by **Jiang Mianheng**, a son of China's premier, **Jiang Zemin**. It has a reputation for providing better levels of inflight service than its rivals, including Shanghai-based **China Eastern Airlines**, and is maturing as a domestic and regional carrier as it approaches its 18th year of operations.It operates 120 domestic and 72 regional services with its present fleet of 25 airplanes. It hopes to raise 1.03 million yuan (US$124.4 million) through the IPO and has said it plans to increase its fleet to 40 in three years. *Bloomberg* news agency reported last month that Shanghai Airlines was intent on maintaining its independence and forging its growth despite competitive threats that await it when the mergers of China's government-owned airlines are completed. Analysts predict that once these carriers are consolidated into three groups, **Air China**, **China Eastern Airlines** and **China Southern Airlines**, they will hold 80% of the Chinese market between them.

CNAC POSTS INTERIM PROFIT

China National Aviation Co. Ltd. (CNAC), mainland China's Hong Kong-listed aviation conglomerate, has reported a net profit of HK$137.2 million (US$17.59 million) for the first six months of its 2002-03 fiscal year. The company, with equity in **Dragonair** (43%), **Air Macau** (51%) and **Zheijiang Airlines** in China, will soon merge with Beijing-based **Air China** and **Southwest Airlines** in Chengdu. The 6.5% rise (HK$8.3 million) in interim profit was the result of mixed performances from the carriers in the company's control. Earlier this year, CNAC increased its shareholding in **Air Macau** to 51%, an investment that continues to benefit the company while a ban on direct travel between Taiwan and mainland China remains in place. Air Macau's business is based on its network services into China and Dragonair earns its profits from its routes to major Chinese cities out of Hong Kong. CNAC said in its September statement that its increased operating profit – up to HK$27 million from HK$18.5 million – was due "primarily to the contributions of CNAC Macau and Air Macau". Revenue at Air Macau for the six months declined 0.8% compared to the same six months last year, but cargo income at the carrier rose 26.7% over the same period in 2001. At press time, Dragonair, which also has **Swire Pacific** as a shareholder (7.7%), was expected to apply to the Hong Kong government for approval to fly to Sydney, Seoul, Manila and Bangkok. In July it began flying to Taipei from Hong Kong, a route that previously had only been served out of Hong Kong by **Cathay Pacific**. Early last month Cathay confirmed it wanted to resume flying to several cities in China after a 12-year absence, a decision that will place it in direct competition with Dragonair if both Hong Kong and China give it the go-ahead. (See page 30).

Shanghai Airlines: September launch of its local share offering

GOOD NEWS FOR CHINA'S CARRIERS

China's airline industry turned in a profit of 480 million yuan (US$57.67 million) for the first eight months of 2002, according to a *China Daily* report last month, thanks to an 11% increase in passenger traffic over the same period last year. The **Civil Aviation Administration of China (CAAC)** released the data in September, not long after **China Southern Airlines** and **China Eastern Airlines** had both reported declines in their interim profits of 38.8% and 63.7% respectively.

KOREAN CARRIERS STAY ON TRACK

Both Korea's international airlines, **Korean Air** and **Asiana Airlines**, reported healthy turnaround profits for July compared to the same month in 2001. Korean Air, the larger of the two carriers, said it made a profit of 51.3 billion won (US$43 million) compared to a loss of 10 billion won in July last year. Rival Asiana Airlines said its profit for the same month this year was 41 billion won (US$34.4 million). Both carriers attributed their improved performances to a stronger local currency, lower fuel and interest rate charges and cost cutting after the 2001 global recession eroded their passenger and cargo businesses. Korean Air said its overall passenger numbers declined in July but increased numbers of travellers on its intra-Asian and Chinese services, which generated good margins on income, had contributed to its healthy mid-summer performance.

VIRGIN BLUE 'TO MAKE US$52M PROFIT'

British tycoon **Sir Richard Branson**, the founder of young Australian carrier, **Virgin Blue**, said the Brisbane-based company should turn in a A$100 million (US$52 million) profit in its third year of operations. Sir Richard, the majority shareholder in **Virgin Atlantic Airways**, forecast that the results to March 2003 "will be very, very good" and would be a prelude to the planned listing of the no-frills carrier.

HACTL SET FOR RECORD YEAR

Hong Kong Air Cargo Terminals (HACTL), which handles more than 80% of air cargo at **Hong Kong International Airport (HKIA)**, continues its surge towards a record year after it released news that it had enjoyed 19.8% growth in traffic for the first eight months of 2002. At the same time, HKIA said cargo business had increased by 24% this August compared to the same month in 2001. HACTL told the *South China Morning* that the dramatic rise in cargo at HKIA this year was based on a 46% increase in U.S.-bound exports and a 21.5% increase in volume cargo to Europe.

As angry airlines continue to demand value for money from "greedy" airports, IATA and ACI are hoping to establish a groundbreaking solution whereby user charges could depend on an airport's individual service. **TOM BALLANTYNE reports.**

OPERATION HAPPY LANDINGS

Incheon International Airport: one of several Asian airports to have kept fees down in the last year.

International Air Transport Association (IATA) director general Giovanni Bisignani will not mince words when he addresses the World and Pacific Regional Assembly of Airports Council International (ACI) in Tokyo October 7-11. Bisignani, according to *Orient Aviation* sources, will publicly and privately vocalise airline anger, slamming some airports for greedily pursuing profits while their customers, the carriers, lose billions in the worst year the industry has ever faced.

Delivered in a city where one of the longest-running charging disputes – fees at Narita Airport – continues unabated, his message will be that airlines have had enough and the drive to find a solution must be intensified.

It comes at a pivotal time in the long battle between airlines and some airport owners and may also mark the beginning of a new era in relations between the two.

Soon after the ACI gathering, IATA will restart negotiations with officials at Narita in an attempt to resolve once and for all the often acrimonious disagreement over user fees. Bisignani will also meet government aviation officials. More importantly, from a global perspective, IATA is working closely with ACI to formulate a plan with the potential to finally lay to rest angry disputes between airports and their airline customers.

What they are looking at is the framework for a system of Service Level Agreements (SLAs) between airlines and individual airports. Under SLAs, airports agree to specific standards and levels of service. The concept isn't entirely new, but it is now believed a wider use will be critical in mending relationships, helping to develop a regime in which charging transparency eliminates open conflict on one of the industry's most controversial fronts.

These agreements will lay down clearly defined rules. If an airport fails to perform to agreed standard and service levels, airlines are compensated by paying less. If the airport exceeds the agreed levels, it is paid more.

As recently as last month officials from IATA and ACI met in Geneva – their headquarter offices are within sight of each other – for a workshop to openly discuss the whole issue of SLAs. The gathering also was attended by airport and airline representatives. By the time Bisignani talks in Tokyo, a ground plan will have been laid on how to move forward with the concept on a wide front.

Both parties agree SLAs will be complex and need to be designed specifically for individual airport operations. IATA is convinced these contracts will work with air traffic service (ATS) providers, too, to end similar disputes about charging.

It will not be an instant panacea. Airport industry insiders say many airports are suspicious and nervous, concerned SLAs are merely designed to win airlines fee reductions. What is agreed, however, is that some way has to be found to stem airline anger that has been building over the past year, exacerbated by the events of 9/11.

The world's airlines have suffered losses of US$20 billion since terror turned their business world upside down. As they nervously await economic revival and political developments, amidst fears that further Middle East conflict centred on Iraq will again send their business into a downward spiral, they are looking for help from industry partners.

IATA figures show the total paid by airlines, passengers and shippers for the use of airports and ATS infrastructure amounts to more than US$40 billion annually and is growing. Last year, member airlines, in their international operations alone, paid US$7.8 billion for airport landing and related charges and US$7.4 billion for ATS charges. The total of US$15.2 billion represents 9.9% of carriers' international operating costs.

Airlines believe these amounts are in excess of what they can afford and they accuse some airports of failing to carry their share of the burden, passing on the full cost of additional security and other items directly to carriers when operators themselves often cannot pass on all the charges to passengers if their prices are to stay competitive.

They say some airports – particularly privatised facilities – are more concerned about making money for shareholders than giving them a fair deal.

"When stock exchanges are collapsing all around the world, airports continue to make money," Julian de la Camara, director of IATA's user charges department, told *Orient Aviation*. "Of course, some of them are suffering also and are making less money than they have done when things were better, but they do continue to make money. The only explanation is they have the monopoly and they exploit it well. There is a certain greediness and also, in places, an abuse of their monopoly position to make more and more money for their shareholders. That is a fact."

Robert J. Aaronson, director general of ACI, accepts IATA's complaints that some airports are reporting big profits while airlines are losing money. "In certain cases they might have a fair point. It's their job to advance that kind of argument and they are doing it well."

But he stoutly defends the airport community, pointing out it too has had a wretched year.

"Charging is not a new subject, but it has taken on some additional drama during the last year because of the extreme financial condition of many airlines and the high added costs that airports have had to recover. It's actually a mixed picture.

"There are a number of airports that have dramatically reduced their operating costs and passed the savings on to airlines in the form of reduced fees. There are others that have temporarily suspended or reduced certain charges. Others, of course, have put in some significant increases."

ACI and IATA do agree much of the problem has been caused by government failure to pick up costs of additional security. They believe terrorist attacks are attacks against the state and that states should bear the burden of additional security costs.

ACI director general, Robert J. Aaronson: governments have not met their responsibilities in meeting security bills in the last year

"The aviation industry, airports and airlines believe very strongly that the type of security expenses that are being incurred now are well over and above those any business would normally expect to incur," said Aaronson. "They relate to threats to states and governments who should be picking up these expenses. The reality is that most governments have been very slow to pick up the expenses. They really have not met their responsibility financially as far as we are concerned."

Ironically, IATA and ACI have excellent relations at a world level. Disputes are on the ground floor, between airlines and individual airports, though not all airports.

At IATA's annual general meeting in Shanghai earlier this year several facilities were praised for their efforts in helping airlines with reduced costs or suspension of fees, including Singapore Changi International Airport and Hong Kong International Airport.

IATA and ACI agree SLAs have strong potential to help resolve airport/airline issues. Aaronson believes the idea is "based on reasonable business principles", although he pointed out airlines must also accept their responsibilities. "Take a look at the other side of that same coin. Suppose that an airline understaffs its ticket counters, creates long lines of passengers who are going all the way out the front door of the terminal and are very angry. Service levels by airlines at airports are an issue that airports care about.

"I am really rising to your challenge by saying yes, agreements between the business partners are desirable and could be very valuable, but they have to cover the performance of both sides. Airports rely on airlines to deliver the baggage on time, to not create undue gate congestion. You could make a long list. At many airports airlines maintain part of the facilities and in some cases they don't do it to the satisfaction of the airport. Service delivery is not easy for anybody."

No one is under any illusions that forging SLAs will be easy. Richard Stirland, director general of the Association of Asia Pacific Airlines (AAPA), said it was "a splendid idea if you can do it, but I can't see many of the airports agreeing to it".

In Australia, where charging has been the subject of furious disputes between airlines and the country's now-privatised airports, talks on an SLA agreement are underway with Melbourne Airport. Warren Bennett, executive director of the country's Board of Airline Representatives (BARA), believes such agreements will be "the next big step forward, bringing the development of consensus undertakings between airport and operators which present equal benefits and obligations to both parties".

IATA is clearly upset at some developments. De la Camara told *Orient Aviation* it recently emerged that Amsterdam's Schiphol airport enhanced security under a Dutch government directive, resulting in an additional charge to passengers of around US$4. It is claimed Schiphol isn't only recovering the basic cost, but an additional sum that represents extra income for itself.

"Not only is Amsterdam airport adding a new passenger charge for security, on top of that they are making money out of it. What they are doing is abusing the system. That is the kind of thing that is exploiting the system and it is too much," said de la Camara.

Such behaviour was much more widespread, especially in the context of airport privatisation, he said.

Aaronson, who is no stranger to the airline business – he joined ACI from Lufthansa Consulting and is a former president of the U.S. airline body, the Air Transport Association – said the debate between airports and airlines has always existed and probably always would.

"It is important that airports listen very well to their major customers and accommodate them as best they can. In the end airport management also has to meet its responsibility and assure its business survives."

The past year had been "a wrenching experience" for airports. "Like other businesses they need to be financially robust and have reserves. This sort of thinking has traditionally not been so much in the airport mindset because airports came out of the public works sector."

IATA's de la Camara emphasises it is not a question of criticising airports because they make better returns than airlines. "But it is difficult to understand the pricing policies of suppliers who basically operate as monopolies. Governments continue to increase the cost of travel through taxes and fees of all kinds, higher airport and ATC charges and failed infrastructure privatisation schemes.

"Airports often complain that airlines are difficult customers, that they are very demanding, that they are always complaining about charges when these represent only a small portion of the airlines' operating costs. Given the airline industry profit margins, any additional cost can make the difference between being in red or black figures," he said.

The main purpose of having SLAs in place was to allow for the development of a business relationship between the airport (or ATS provider) and the users, where the aim was quality of services.

"We are not complaining that some providers are making money while airlines are in the red. What we are complaining about is something that is wrong in the whole value chain of air transport," said de la Camara.

British airports operator BAA has had an SLA agreement with airlines at Heathrow for two years. The concept is also being looked at for Manchester Airport and talks are underway in Copenhagen. Discussions are also going on at Australia's Melbourne Airport, which is managed by BAA. "I can see that a number of airports in the next few years are going to go this road. It is something we would like to see in many more places," said de la Camara.

"We see more of a need for SLAs in airports where there is congestion and where certain services are poor. We want to make sure money is being invested in the right services at the right price." ■

Hong Kong International Airport: record traffic figures; reduced user charges 15%

Privatisation: cause for concern for Asia's airports

Asian Airports have largely emerged from both 9/11 and the ongoing charging row with some credit.

While world airport traffic has plunged around 5% in the past year, with North American airports obviously taking the biggest hit, in Asia most airports have maintained growth, though at a slower pace (see chart). The latest airport statistics available show that in March, world airport passenger traffic was down 4.4% compared to the same month in 2001, although in the Asia-Pacific numbers rose 4.5%. In May, the world level was down 4.7%, with Asia up 2.2%. China in particular has recorded strong growth, with some airports showing double-digit rises in traffic.

The exceptions have been in Japan and Taiwan, where heavy reliance on trans-Pacific traffic has seen passenger numbers decline significantly.

But the region has not been immune to localised confrontation on the charging front, particularly over additional costs passed on by airports.

In Thailand, international airlines criticise low air fare levels and high airport charges, a combination they said is driving airlines away. Warren Gerig, local manager for United Airlines and spokesman for Thailand's Board of Airline Representatives, said these high costs and low returns could threaten Thailand's ambitions to be a major international hub when Bangkok's new Suvarnabhumi Airport opens in 2005.

"Most of us are not making money and a lot of it has to do with cost. There are more charges being dreamed up every day."

In Australia, where the major hub, Sydney, has recently become the last major facility to be fully privatised, airlines are deeply concerned about charging increases and the potential for more rises. This is especially the case at Sydney, because of the high price paid for the airport by the new owners.

Japan remains the biggest source of division as airlines strive to find a solution, with the full backing of IATA, to user fee disagreements. The international airline body recently made clear it opposed any plans that may be aimed at cross-subsidisation of Japan's major international airports in the country's privatisation and consolidation process (see page 18).

In the meantime, airlines have in-

ASIAN AIRPORT TRENDS

January - May 2002

Airport (%)	World Position	Pax/Ms	Growth/Decline
Atlanta	1	30.6	-6.8
Tokyo Haneda	4	23.9	4.8
Hong Kong	14	13.7	0.5
Bangkok	15	13.6	2.8
Singapore	21	11.7	0.4
Tokyo Narita	24	10.7	-2.4

World Airport Traffic - May 2002 (compared with May 2001)

ACI Statistical Regions	Total Passengers	% Change	Cargo (metric tonnes)	% Change	Movements	% Change
Africa	6,162,045	(3.9)	78,291	(3.8)	138,483	1.2
Asia/Pacific	48,713,277	2.2	1,529,644	14.9	503,865	2.4
Europe	85,896,796	(4.1)	1,058,532	(0.3)	1,407,664	(6.6)
Latin America/ Carib.	13,552,076	(2.5)	208,853	(3.9)	289,064	(4.8)
Middle East	5,157,805	2.9	214,893	9.2	59,493	(3.4)
North America	113,006,559	(8.5)	2,231,157	(0.7)	2,795,414	(6.1)
TOTAL		**(4.7)**		**3.6**	**5 193 983**	**(5.2)**

dicated they expect Narita charges to be significantly reduced in line with the actual costs of providing the services.

A spokesman for Japan Airlines (JAL) said the country's airport charges are the world's highest, with landing fees at Narita and Kansai more than three times the global average. "We are continually requesting the government to bring these charges into line with the international standard."

Richard Stirland, director general of the Association of Asia Pacific Airlines (AAPA), said: "It is the same old thing: the charges and the lack of consultation and the fact, when additional costs arise, they merely pass them straight on to the airlines rather than looking for economies or devising some method whereby they collect the money from the passenger rather than from the airline."

Stirland believes Asia has been well served through the development of good airports over recent years at locations such as Hong Kong, Seoul, Kuala Lumpur and Osaka and with a second runway now open at Tokyo Narita and construction of a new Bangkok facility.

"One of the worst things is when airports put up charges because they say they need money to fund development. Then when the future development has taken place they say well we've already spent that money and we have to put up the charges again now to cover the fact we have these additional facilities and we have to manage them and pay the interest on new buildings," he said.

Stirland said the issues with airports are clear cut: they are consultation and the question of profitability in terms of airlines versus airports, as well as productivity improvements and finding ways of working smarter, rather than just piling on more people and bureaucracy.

Cathay Pacific corporate communications manager, product, Patrick Garrett, said airports did show some understanding immediately after 9/11, but now around the world many were again asking for increases. "We are working with IATA and various airport authorities and representatives in order to mitigate unreasonable escalation in charges, and come to – as much as possible – understandings."

Cathay wants airports to improve their facilities, reinvest in their business and keep operations state of the art, which is a benefit to passengers and the airline. "We object to airlines being asked to bear the brunt of poor management of airports, to the point where it might be marginal whether a particular airport is a viable operation," said Garrett.

"The highly competitive market means that airlines are often not able to reflect increased costs in their ticket prices – particularly in these difficult times where yields are down and competition can be truly cut-throat. Costs are not always passed on to passengers. All airlines ask is that we pay a fair share of the costs. Bottom line: it's a question of balance and good management."

Airlines are unanimous in their complaints about airports passing on additional costs without looking for other ways to absorb parts of the expense. John Borghetti, executive general manager, sales and marketing at Qantas pointed out that charges at Australia's now privatised airports have risen between 55% and 155% this year, depending on the airport.

"It's fine for airports or someone else to say we are going to put up these charges and expect us simply to pass it on to our passengers," he said. "There comes a point where all these extra charges do affect the market because all of a sudden the airfare that was $70 is now $100. Elasticity in the market is critical to us and when the consumer is suddenly paying additional charges that elasticity comes into play. The irony of this is that it is not so much the airfare that affects the elasticity of demand operating, but that the charges are playing a bigger and bigger role."

Airports Council International (ACI) director general, Robert Aaronson, said the mega airports built in Asia over the past five to eight years have provided good capacity with elaborate master plans to accommodate growth to very high levels of volume. "For the moment you can make a reasonable argument that many Asian countries are where they need to be in developing airport facilities. It's obviously much more difficult in Europe and in big cities in the U.S. and Canada."

Privatisation is not, so far, an issue affecting many Asian airlines at their home base because most facilities remain under effective government control. Only in Australia and New Zealand has privatisation been completed and it has certainly sparked rows over user fees.

However, a number of Asian countries are showing interest in the privatisation path – including Japan, Thailand and Malaysia – and such developments will cause increasing concern.

Julian de la Camara, director of IATA's user charges department, finds it interesting that two Asian airports – Singapore and Hong Kong – praised by airlines for reducing charges in the past year and helping their airline partners, are government-owned.

"Perhaps because of the fact they are not private entities, these airports clearly recognise they are part of the value chain. They are part of the air transport system and they understand that if one part of that chain is not working they have to do something about it. These airports do not only look after their own little local airport interest.

"But in Sydney, for instance, they have to make money, whatever target is set by the board, so they can pay their shareholders. That is always in the back of their mind. That is the difference in the approach of a fully privatised airport and an airport in a country where it is part of the transport system."

ACI's Aaronson argues that privatisation has to be a win-win situation for all those involved, but pointed out the vast amounts of money required for development had to be considered. "If shareholders in airport companies don't earn adequate returns over time for any variety of reasons then that source of capital will once again dry up and that's not in the interest of world air transport." ■

Industry calls foul on Narita's plan to prop up Kansai

Pressure forces government to put decision on hold

By Daniel Baron
in Tokyo

In his recent book *Dogs and Demons: The Fall of Modern Japan*, Alex Kerr laments that in Japan, "reforms look backward, toward shoring up established systems, not forward to a new world".

It is perhaps such a mindset that the airline industry is up against in its efforts to negotiate a reduction in user charges at Narita Airport. Landing fees at the facility have remained the same since 1984, in spite of repeated pleas for relief from the airline industry. In fact, the Narita Airport Authority (NAA) had planned to raise charges by 8.3% in 2002 during a period of unprecedented financial strain at the airlines.

Negotiations between the International Air Transport Association (IATA) and the NAA resulted in no change to the *status quo*. IATA has since been bumping up the volume, hoping the increased pressure on the NAA would impress upon the government how seriously the industry views the situation.

IATA stated in July that "over the last 20 years, through stiff competition, airlines struggled to reduce operating costs while passing on improved service to passengers at lower prices. Seemingly immune to the competitive pressures of the industry, Narita has not achieved any cost savings resulting in reduced charges since it began operations in 1978. Narita's user charges remain the highest in the world by an unacceptable margin."

Lufthansa German Airlines chairman Juergen Weber has also pressed the issue in Tokyo, stating that fees at Japan's airports are too expensive and the airports should be operating 24 hours.

In the past, the NAA had used claims of high land development costs to justify its user charges. With the airport's new second runway fully subscribed even prior to opening in April, the airline industry hoped the NAA would provide some relief given the plummet in both passenger numbers and yields since September 2001.

Enter Kerr's reference to reforms "looking backward". In June, Japan's Ministry of Land, Infrastructure and Transport (MLIT) revealed a plan to funnel funds from Narita to prop up Kansai Airport and the yet-to-be-built Chubu Airport. Land development expenses alone top US$13 billion at Kansai, which has never shown a profit in its eight years of operation.

The MLIT is calling for the creation of a two-tiered privatisation scheme under which the terminals at the three airports would be run by separate companies. The land and construction costs for all three, however, would be administered by a single public corporation. The corporation would calculate the respective airports' land development costs based on revenue.

IATA director general Giovanni Bisignani: airlines cannot afford costs associated with airports' monopolistic inefficiency

Given Kansai's dwindling demand and Narita's fully-subscribed status, cross-subsidisation would result in the latter being hit with a sharply higher bill than at present. The ministry could then use this as justification for maintaining Narita's user charges at their current level.

Neither the MLIT nor the NAA would comment on user charges and privatisation matters.

Not surprisingly, the president of Kansai International Airport Company as well as the governor of Osaka presented the MLIT's minister, Chikage Ogi, with their official blessing of the scheme. The minister herself agreed the three airports "should be considered as a package", but offered no hint of a long-term grand strategy for the airports involved.

The airlines, however, are not pleased. In a letter to the minister, IATA said that "such a scheme would be a clear violation of international standards on cost-relationship and location-specific charges set by ICAO (International Civil Aviation Organisation)".

Giovanni Bisignani, IATA director general and CEO, also noted that "any structural change undertaken to airport ownership should be to the benefit not only of the operators of the airports and governments, but also to the airlines, passengers and shippers". He added that "given the competitive pressures the airlines live under, they can no longer afford to shoulder the costs associated with the airports' monopolistic inefficiency".

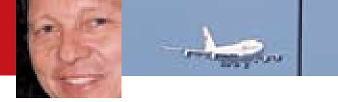
The Association of Asia Pacific Airlines (AAPA) director general, Richard Stirland, said it is important that "the ministry and Narita Airport Authority follow policies which are economically justifiable, transparent and fair to all concerned". He added the AAPA requests "that full consultations with the users, the airlines for whom the airports are designed, take place and that recognised ICAO principles are adhered to".

If and when the ministry's privatisation plans for the airports are realised, the AAPA is calling for the establishment of "an independent regulatory body which would determine all charges at these airports according to agreed formulas and with full transparency in the process".

The airline industry fears that similar to the situation with landing fees, once the government's privatisation plan is finalised, there will be no change in airport policy for the foreseeable future, effectively locking in practices that may have a long-term detrimental effect on all users of Japan's airports.

The non-profit Air Transport Action Group (ATAG) echoed this sentiment and has urged a re-think of the government's privatisation scheme.

ATAG director, Martina Priebe, said that "only a user-driven approach to privatisation will permit the development of an appropriate infrastructure and keep charges at levels which are acceptable. Privatisation must not be an excuse to



bail-out troubled airports at the expense of consumers and the airlines."

Japan's mainstream media has come out strongly against the government's plan. The *Nihon Keizei Shimbun*, the country's most influential business daily, wrote that "if the government's airport policy is to help Japan regain its economic competitiveness, it must focus on reinforcing the airports for Tokyo. The planned bail-out of Kansai will only undermine the effort to achieve that strategic goal."

There is an inkling that the pressure may be forcing the NAA to rethink its position. At the end of July, its new head, Masahiko Kurono, publicly acknowledged the problem of high landing fees at his airport.

And in mid-August, an advisory panel to the MLIT found itself unable to reach a consensus due to loud protests from panel members. The ministry, which had hoped to move forward with the privatisation plan in the autumn, has put an official decision on hold, pending further discussion.

As for Kansai, the *Nihon Keizai Shimbun* suggested not reducing charges at Narita would "come around to hurt Kansai Airport as well. Instead of helping to sweep Kansai Airport's problems under the rug, the ministry ought to come up with a plan to assist the troubled airport to rebuild its operations, basing it on the actual state of mismanagement."

Both the airlines and local media have called for the MLIT to adopt a more realistic plan for Kansai Airport, where construction of a second runway continues in spite of excess capacity.

A plane approaches Haneda Airport: IATA is to put more pressure on the Japanese Government to lower country's airport charges

The Scheduled Airlines Association of Japan (SAAJ) is advocating a thorough study of runway and taxiway usage at Kansai. A similar study at Tokyo's fully-subscribed Haneda Airport revealed ways to increase capacity on the facility's three existing runways.

A spokesman for the SAAJ said "because so much of the work on the second runway at Kansai has already been done, we are not fundamentally opposed to eventual completion. However, we should try to apply what we learned at Haneda. If there are ways to increase capacity with the existing runway, it might be possible to put off completion of the second one until it becomes absolutely necessary".

At the rate things are going, a second runway may not be needed anytime soon.

In June, the MLIT revised its projection for annual take-offs and landings at Kansai by 2007 from 160,000, the current runway's capacity, to 130,000. ■

Traffic jams plague new runway

By Daniel Baron

The opening of Narita Airport's new runway in April has resulted in a problem normally associated with the bus ride from Tokyo to the airport: traffic jams.

Although the large increase in capacity enabled existing users to add frequencies as well as allow some carriers to serve Tokyo for the first time, the airport's layout and surrounding airspace restrictions have resulted in unforeseen delays on the taxiway and on approach, for both the new and existing runways.

Orient Aviation *has learned that in the first weeks after the runway was inaugurated, the time required from push-back to take-off was reportedly as long as 60 minutes during peak hours. The situation has since improved, although 30 to 45-minute taxi times were, at the time of publication, still common.*

Due to the crowded situation on the ground, aircraft waiting to land have been backed-up as well, leading to additional fuel costs, not to mention unhappy passengers.

The Narita Airport Authority (NAA) would not comment on the matter.

Several factors are to blame for the delays. The primary access to the new runway is a taxiway that curves around a wedge of land still owned by a local farmer. In some cases, the taxi-ing aircraft's wingtip extends over the runway, preventing aircraft taking off or landing.

In addition, due to airspace limitations around the airport, simultaneous take-offs and landings on the parallel runways are not permitted.

Further, lack of taxiways to and from the runways and the terminal buildings between them have meant movement at snail's pace in all directions, particularly in the afternoon and early evening, when most flights of carriers using the airport as a hub leave for North America and the rest of Asia.

Northwest Airlines is one those carriers. The airline operates 185 flights per week at Narita (combined passenger and cargo). Transit passengers account for 50% of its traffic at the airport.

Masashi Ogino, director of communications and trade and customer relations for Northwest Airlines in Japan said: "The success of our hub operation depends on our ability to get people in and then out again according to the published schedule." ■

After several delays, Australia's last government-owned airport, Sydney's Kingsford Smith, moved into private control in July for a world record airport float price of US$3.1 billion. Analysts believe the buyers may have paid too much and airlines are concerned they may be hit with higher fees to secure returns for investors, reports TOM BALLANTYNE.

Sydney fees hike fear

It was hardly surprising that when Warren Bennett, executive director of the Board of Airline Representa tives of Australia (BARA), heard about the winning US$3.1 billion bid paid for Sydney Airport by the Macquarie Bank-led Southern Cross consortium, his immediate reaction was to warn the new owners not to start recouping their money by imposing higher aeronautical charges.

Only last year the fees were nearly doubled, part of a move by the previous manager, the Federal Airports Corporation, to make the facility a commercially viable prospect for potential buyers.

The Southern Cross bid – members include German airport operator Hochtief – took everyone by surprise. It was more than US$250 million above the offer from its nearest rival and some $500 million above the expected sale price.

Bennett immediately said the price was "way over" what the market was predicting. "And that makes them (airlines) pretty nervous about what the future for aeronautical charges might be. There is no justification for any further increases in aeronautical charges at Sydney Airport, regardless of the price paid by the Southern Cross syndicate," he said.

BARA represents international airlines flying into Australia and some of its members are privately voicing genuine concerns about the potential for increased charges.

They point out price controls on fees were lifted on July 1. Other capital city airports in Australia are seeking landing charge rises of between 40% and 130%. Sydney may be tempted to do the same, they argue.

However, such sentiments are not universal. Geoff Dixon, chief executive of the airport's biggest customer, Qantas Airways, said he believed the new owner would not put up the prices.

The new owner's first three months have been heavy with controversy. Its share price has dropped and it is now embroiled in court action with local domestic carrier Virgin Blue, which claims Macquarie reneged on a deal that would have given it access to the former Ansett Australia terminal.

Sydney Airport is not much fun for shareholders. Its partly paid shares have slumped nearly 70%

Partly paid shares of the company have slumped about 70% since it started trading as investors worry about the size of its spending on Australia's biggest airport and others in Europe, including its recent purchase of a 28% sharehold-ing in Italy's Aeroporti di Roma SpA.

Kerrie Mather, managing director of Macquarie Airports which is now running Australia's major air gateway, has tried to calm shareholders' fears by telling them the company does not plan any further acquisitions and that a traffic pick-up is imminent as air travel demand recovers and Qantas, its biggest airline customer, starts using gates at the terminal formerly used by the failed Ansett airline.

Mather has also sought to ease concern about future pricing. She has said the company expected to see growth in non-aero charges rather than in aero charges.

Nevertheless, Bennett has emphasised airlines will not stand for any attempt to hit them with higher costs.

"The ACCC (Australian Competition and Consumers Commission) engaged an army of experts to value the aeronautical assets at Sydney Airport in May 2001 and granted a 97% increase in aeronautical charges to give a commercial return, based on that valuation, of A$1.4 billion (US$700 million).

"The difference between the value of the aeronautical assets and the price paid for the airport – some A$4.2 billion – therefore represents the licence premium paid by Southern Cross for future revenues to be delivered from non-aeronautical assets, businesses and commercial endeavours at the airport." said Bennett.

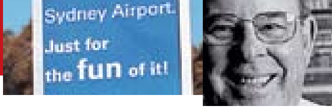
There are hints airlines could end up paying more anyway. Hochtief managing director, Ulrick Stucke, has floated the idea of introducing "peak pricing" at Sydney.

This would involve higher charges for slots during peak traffic periods and discounts for airlines moving flights to less popular times, a move that would help generate more traffic and boost profits.

Initially, the new owner's focus will be on increasing earnings from the airport's retailing and car-parking assets, already a big contributor to the bottom line.

It has begun lobbying government for an increase in duty free spending limits to encourage air travellers to buy a wider range of goods on their way into Australia.

Macquarie is keen to have this fast-tracked because duty free sales account for 70% of retail turnover, which makes up about 25% of total revenue.



Also on the agenda is a US$50 million development of two office blocks, to be built on top of the international terminal's car park and a new freight centre within the airport grounds.

The company is also banking on air traffic more than doubling in the next 20 years.

By 2020 it expects passenger numbers to grow from 25.3 million annually to 62.8 million, even though the airport will continue to operate under an 11pm to 6am curfew and movements will be capped at 80 flights an hour.

Much of that expansion will have to come from more efficient air traffic management, a spread of flights outside peak times and the arrival of super jumbo, the Airbus A380.

Sources disclosed to *Orient Aviation* that Qantas had held discussions with the FAC about the sale of its terminal, but these talks were suspended because of the then approaching privatisation.

It is now understood Qantas has cooled to the idea and intends to retain control of its terminal. ■

Macquarie adds Rome to its portfolio

Less than a month after buying Australia's major airport gateway at Sydney, Macquarie Airports (MAp) moved to extend its European airport holdings, snapping up 28% of Italy's Aeroporti Di Roma for US$309 million.

The company controls Fiumicino (Leonardo Da Vinci) and Ciampino (G.B Pastine) airports, the only commercial airports serving Rome, which together handle 26.3 million passengers a year.

The deal will make MAp one of the world's largest private sector airport investors with investments – directly or indirectly – in Rome, Sydney and Bristol and Birmingham in the UK. Together these airports handle more than 60 million passengers annually.

Average passenger numbers at Rome between 1991 and 2001 grew by 4.4% a year. These are expected to rise 6.4% through next year and beyond.

Fiumicino airport, the major Italian gateway, has four runways and three terminals.

It is being developed to handle 44 million passengers annually by 2006. Ciampino airport consists of a single runway and terminal, with provision for segregated international and domestic operations. ■

Buyers loom for stake in Auckland

By Tom Ballantyne

New Zealand's highly profitable primary gateway, Auckland International Airport (AIA), will have a major new shareholder following a decision by the city council to sell its 25.7% holding. However, contrary to reports, Australian investor Macquarie Airports (MAp) will not be in the running.

After snapping up Sydney Airport and a big chunk of Rome Airport, MAp managing director, Kerrie Mather, ruled out a move into the trans-Tasman airport market when she said she could "absolutely confirm" they were not currently considering any further acquisitions.

The news came as no surprise to her AIA counterpart, John Goulter, who considers Macquarie will be far too busy working on earning a return on its massive US$3.1 billion investment in Sydney Airport. Like most analysts and industry observers, he questions whether the price might have been a little too high.

While Goulter is not able to say too much about prospective new investors in one of the region's most successful small international airports, potential buyers of the Auckland city council stake are Hong Kong-based Cheung Kong Infrastructure Holdings and AMP Henderson Global Investors. The 25.7% share is estimated to be worth around US$210 million.

Auckland handles 70% of New Zealand's international air travel. Goulter said recovery of passenger flows following September 11 continued to gain momentum. International passenger traffic grew more than 5% during the past year and the trend is expected to continue.

Domestic passengers are up more than 7%, much of it thanks to enhanced competition in the New Zealand market with the entry of Qantas Airways on to domestic routes. Auckland has a good passenger mix, with 59% international and 41% domestic (at Sydney it is 65% domestic and 35% international).

For AIA owners and prospective shareholders, news on the fiscal front is also good. The company reported a record profit of US$35.3 million for the financial year to June 30, up 21% on 2000-2001. Revenue rose 6% to US$100 million.

Goulter said the airport's strategy would be to continue property development on the 1,497 hectares airport site with expansion of office space, retail outlets, freight, logistic and other facilities. A feasibility study is underway on a possible joint venture to establish a hotel at the airport.

Auckland International Airport managing director, John Goulter: profit up 21% in a record year

Earlier this year, re-tendering for the major retail concessions at the international terminal building resulted in bids that will net the airport about an additional US$7.5 million a year in retail revenue. The new five-year contracts start this month.

"Our diversified revenue streams are the core strength of this company which has been illustrated by this year's result. For example, over the past five years, airfield revenue as a proportion of total revenue has fallen from 33.5% to 26.8% while aircraft movements for the same period based on tonnage (MCTOW) have risen 10.2%," said Goulter.

Tourism statistics project an annual increase in international traffic of between 5% and 6%.

There are 81 international and 324 domestic daily flight movements and 414 tonnes of cargo and mail are handled at the airport, which is open 24 hours a day.

In the last financial year there were 8.4 million international and 3.4 million domestic passengers, with 29,557 international and 118,311 domestic aircraft movements. Some 187,000 tonnes of cargo were handled. ■

User fees kept low as ...

Incheon grows up fast

By Daniel Baron
in Seoul

Still a mere 18 months old, Incheon International Airport (IIA) appears to have handled rather adeptly the accelerated trip from infancy to adulthood.

Teething problems experienced after opening were followed six months later by the September 11 terrorist attacks, with its resulting drop in traffic worldwide.

Incheon is served by more than 50 airlines. And 29 million passengers have used the airport since its opening, an average of 53,000 daily and a 4.5% increase over the old international Gimpo Airport (formerly Kimpo), prior to the transfer of all international and some domestic flights to the new facility.

For the second quarter of 2002, IATA ranked Incheon third in overall customer satisfaction.

In cargo traffic, Incheon has risen quickly to rival Tokyo's Narita. The airport has handled 2.56 million tonnes of cargo since opening, or 5,070 tonnes daily, an increase of 2.4% over Gimpo and for 2002 an increase of 8.6% above the previous year's figure. Between April and August alone, IIA handled 710,000 tonnes of cargo.

Airports Council International (ACI) ranked Incheon fifth in world cargo traffic during January-February, slightly above Tokyo's Narita.

To date, transfer cargo has accounted for 46.6% of the total. "Given our geopolitical location, competitive charges and room for growth, we are hoping to achieve a rate of 75% by 2005," said Tong Myung Lim, PR and media director of Incheon International Airport Corporation (IIAC).

The message from IIA is clear: the airport is on a mission to succeed where Narita, with its higher charges, operating time restrictions and capacity limitations, cannot.

It is a message put succinctly by IIAC's president and CEO, Woo-Hyun Cho: "We have two key, ambitious goals: to be the preferred hub in East Asia and, in direct relation to this, to be an airport corporation that successfully blends three core concepts: value creation for our customers, user satisfaction and the development of our human resources."

On the job for only five months, Cho's goals will require considerable political and business savvy. He faces the Herculean task of securing funding for Incheon's phase two expansion, which has been approved by the government, but remains unfinanced.

Incheon International Airport Corporation's president and CEO, Woo-Hyun Cho: facing a major task of raising finance for phase two of Incheon's expansion

Planned for completion in 2008, phase two involves the construction of an additional passenger concourse and cargo facility, more apron space and a new runway.

The runway, in particular, is high on the priority list, as simultaneous takeoff and landing is not possible with the current two-runway setup.

In addition, a rail link between Incheon and Gimpo is expected to be completed by 2005 (with private funding), as is a link with downtown Seoul, by 2007.

For the first phase of the airport, the government contributed 40% of the financing; IIA is hoping for a greater percentage for phase two. The total construction cost is estimated at nearly five trillion won (US$4.1 billion).

Concurrently, Incheon must deal with existing liabilities, which exceed four trillion won. For 2001, the airport posted a loss of 140 billion won. IIAC's Lim said it does not expect to break even until 2006.

Profits may come later than sooner, but strong demand has kept IIA's 44 gates full. Though traffic dropped by 15% following the U.S. terrorist attacks, it rebounded quickly, reported Lim. Korea-China traffic, in particular, has risen substantially, with 10 China-based airlines serving the airport. Lim said for the first time ever there are now more frequencies to China than to Japan. "For mainland Chinese tourists Korea is a more convenient and cheaper destination than other places in the region," he said.

In addition, transit passengers now account for 12.5% of the total, a figure similar to that at Narita. According to Lim, Japanese tour operators are beginning to use Incheon as a transfer point from cities in Japan that have limited or no feed to Narita or Kansai.

Keeping user charges down also has helped prevent an exodus. According to IIAC, the average turnaround cost for a B747-400 at Incheon is US$2,280 compared to $8,910 at Kansai, $5,388 at Shanghai's Pudong and $4,674 at Hong Kong. The airport was formally recognised by IATA with an "honorable mention" for providing relief to its users by holding charges at the present level through to the end of 2002.

But within the progressive policy lies a familiar conundrum: how to increase revenue without raising user fees, an action that could dissuade existing customers – now spoiled by the low charges – from expanding and new ones from opening up shop.

IIA is therefore keen to bump up the ratio of non-aeronautical sourced revenue, whose share is currently 50%. Lim said IIAC was "aggressively pursuing new sources of revenue with the idle land surrounding the airport." One plan in the works is a 1.98 million sq. metre customs-free zone located near the cargo terminal with a completion target of 2005.

Also on the drawing board is a new, nearby seaport, which is aimed at the China market and will allow Incheon to boast an integrated air-sea system.

For the long term, Incheon officials are eager to see a major U.S. carrier set up a hub operation.

Nevertheless, with both United Airlines and Northwest Airlines well established at high-yield Narita, not to mention the trend of relying on code-shares in markets deemed too costly to enter alone, the goal may prove difficult to realise, at least on the passenger side.

By Daniel Baron
in Tokyo

Haneda's megafloat runway option

Japan's Ministry of Land, Infrastructure and Transport (MLIT) has given the green light to construction of a fourth runway at Tokyo's Haneda Airport. The decision means a long overdue increase in capacity at the domestic airport where slots are as valuable as the land beneath them.

Or possibly the water.

Lack of available land at the airport, which faces Tokyo Bay, will necessitate the construction of the runway at least partially offshore. Three options are on the table: a floating structure entirely offshore and buoyed by massive tanks, a pier-type structure and a pier/landfill combination.

As should be expected, none of the proposals is without considerable controversy.

The site for the runway is close to the mouth of a river. Using landfill for the entire runway might block the river, says Japan's shipping industry, and either a pier or combination pier/landfill structure would bring aircraft too close to ships passing below. It is therefore in favour of a megafloat, which, it claims, would keep aircraft and sea craft far enough apart.

The construction industry, however, wants a more conventional approach. It suggests that a megafloat runway, which has no precedent, would be a trip into uncharted territory in terms of cost.

Complicating the issue is a rivalry between transportation and construction factions within the MLIT. The two sides had, for decades, been separate ministries and upon merging in 2001 brought with them not only bureaucrats, but also politicians with ties to the respective industry.

The MLIT reports it hopes to have the new runway operating by 2009. Yet financing it will be as challenging as constructing it. Where the funds come from and when will no doubt be influenced by growing pressure on the central government to finally get its fiscal house in order.

And seven years is a long time to wait for the boost in capacity, estimated by the MLIT at around 40%, i.e. 1,100 flights per day versus the current 750.

Japan's airlines are desperate for the new slots, which will allow them to add frequencies to routes on which they compete with the bullet train. Currently, the train is viewed as an equally convenient option for trips with a total travel time of three hours or less, e.g. Tokyo-Osaka.

Japan Airlines, Japan Air System and All Nippon Airways have already combined efforts to jointly market the Haneda-Osaka route as a shuttle service, displaying the flights of all three carriers on a single website. The eventual deployment of faster trains on the route and other key sectors will have to be countered by the airlines through frequency.

Japan's collection of smaller airlines, still a cottage industry, needs the additional slots to secure long-term viability. Additional flights on existing routes and route system expansion are vital to bring down unit costs through economies of scale.■

Big promises for Baiyun

The newest entrant in China's competitive Pearl River Delta market will be the New Baiyun International Airport, scheduled to open in Guangzhou in October 2003. "The new airport in Guangzhou will be totally different from any other airport in China and no airport in the world will have the amenities and services that this airport will have," promises Derong Liu, project director for the airport for the aviation division of Parsons, a leading U.S.-based multinational engineering and construction company.

The design has already been recognised as one of the best architecture designs in the U.S. for year 2000 by the American Institute of Architects.

The complex is intended to be "linked perfectly with downtown Guangzhou and has been designed to quickly move people from plane to curb side and beyond," Liu said. "We have blended the best in American airport design concepts with Chinese practice."

Guangzhou travellers will arrive at the airport (some 22 kilometres from the current city airport) by a three-lane freeway, already open, or by high-speed Metro, which is still under construction.

Inside the terminal, they will check in at a mammoth 45,000-sq metre ticketing area, where ticketing will be handled by the airport rather than individual airlines.

In keeping with trends to make airports a destination of their own, Baiyun will include an international-standard convention centre, with a 500-800 room hotel and exhibition centre.

"When we designed this new airport terminal, our goal was to be able to generate as much additional revenue for the airport as possible," Liu said.

"By putting a major convention centre, a 3-5 star hotel and exhibition centre on the site all steps away from arriving and departing aircraft, we can create a total experience for the business traveller.

China Southern Airlines, the largest airline in China for the past 23 years, will be the major tenant at Baiyun.■

China Southern Airlines will be the major tenant at the New Baiyun Airport when it opens in October, 2003

Singapore building on its hub status

By a Special Correspondent

Singapore Changi International Airport probably has had more international accolades and awards for passenger service than any other airport in the world.

But it looks after the interests of its airline customers, too.

Following the September 11 tragedy in the U.S, the airport quickly introduced a 10% landing fee rebate for a one-year period beginning in October last year to assist airlines weather the industry crisis. It recently extended the reduction to the end of 2002 to allow carriers worldwide to continue to grapple with the tough operating environment.

"We are aware airport charges must be reasonable and represent value for money to airlines. We will closely monitor our charges and make adjustments whenever necessary to ensure we remain competitive," said a Changi airport spokesman.

Such an approach is likely to hold the airport in good stead given the emergence of a spirited challenge for some of Changi's business from Malaysia's Kuala Lumpur International Airport (KLIA).

KLIA has openly declared its intention to lure airlines away from Changi, with the promises of financial incentives and eagerly sought fifth freedom rights.

However, industry insiders say that there are a lot of factors besides cost that effect a carrier's decision on where to call in a particular region.

Kim Eng Ong Asia Securities' head of research in Singapore, Seah Hiang Hong, said: "KLIA does not have the critical mass at the moment to make it a credible threat to Changi.

"Airlines need to be convinced they can make decent returns before they call at a particular destination and KLIA has not been able to offer that.

"But in the long-term, airports like KLIA and Bangkok could always pose threats and Changi cannot afford to become complacent. It needs to continue to stay a step ahead of the competition," he said.

In June, three major airlines British Airways, Lufthansa German Airlines and Qantas Airways, reportedly in talks with KLIA about moving their hubs, said they would be staying put in Singapore.

Qantas regional manager, Stephen Thompson, said at the time: "We believe Singapore has a great airport with excellent connectivity for our north and south bound flights. It is a strong market for us in terms of our traffic.

"We have increased frequency and capacity into Singapore by 13%, which translates into some 5,500 seats each week."

Singapore Changi International Airport: not resting on its laurels

But Qantas has not stopped at merely increasing flights. Thompson said the Aussie carrier also had invested S$13 million (US$7.41 million) this year to upgrade and expand its first and business class lounges at Changi airport.

"By investing heavily in our facilities here, we are indicating our commitment to Singapore," Thompson said.

The 21-year-old airport may be a favourite with passengers and airlines alike, but it has no plans to rest on its many laurels.

For example, Changi has a third passenger terminal under construction, which is expected to begin operations in 2006.

Operated by the Civil Aviation Authority of Singapore (CAAS), the airport serves more than 60 airlines that travel to some 145 cities around the world. It can handle 44 million passengers a year and the new Terminal Three will add 20 million passengers to its annual capacity.

Displaying resilience, even in the face of the September 11 terrorist attacks, Changi handled 16.6 million passengers from January to July this year. This represented a 0.1% growth year-on-year. It also processed 0.93 million tonnes (+8% year-on-year) of airfreight over the same period.

To enhance the present airport experience, Changi has introduced entertainment at the airport. In January, it launched its Plaza Premium Lounge in Terminal Two, which offers amenities such as foot massages, oxygen therapy and a gym to passengers across all classes for a fee.

Other amenities include a roof top pool at Terminal One, complete with pool-side bar and jacuzzi, and a movie theatre at Terminal Two which offers 24-hours of free viewing from a cable movie channel.

Changi also recently launched promotional activities to encourage passengers to check-in via the telephone or Internet in an effort to increase numbers to 200,000 a month from 30,000 a month.

There is now a Mass Rapid Transit (MRT) train stop at Changi's Terminal Two. Movement between the terminals is likely to become even easier by 2006 when a new train system will begin operating in time for the opening of the third terminal.

The S$135 million project will link the three terminals with 6.5 kilometres of elevated train tracks, providing seamless transfers for passengers moving between the terminals.

As events over the last year have shown, the future is never certain. But Singapore Changi International Airport says it will do all it can to maintain its position as one of the top airports in the world – and carry on amassing those awards. ■

Cut airport fees, says Thai PM

User charges may be reduced at Thailand's Don Muang International Airport in a bid to stop major carriers from moving to other regional airports.

Thai Prime Minister, Thaksin Shinawatra, asked his transport ministry to look into cutting back airport fees after British Airways, Qantas Airways and SAS switched some of their services from Don Muang to Singapore's Changi International Airport.

The Bangkok international hub is one of the legs of a Southeast Asian triangle of major airport hubs, along with Singapore and Kuala Lumpur, that have traditionally fought for lucrative Europe-Asia air travellers.

While Singapore has always been regarded as the primary stop-over, competition among the three is intensifying.

Thai authorities are clearly concerned about losing more business to Singapore and are closely watching developments at Kuala Lumpur's near new facility at Sepang, which is now offering passenger and cargo airlines a host of special deals to attract new customers, including charge-free access for five years.

Thai Transport Minister, Wan Muhamad Nor Matha, told a Cabinet meeting they must find ways of attracting more airlines and tourists to the country. "The prime minister ... has said there were too many [airport] fees and the unnecessary ones should be dropped," Wan Nor said.

Airport fees at Don Muang are close to those of Singapore, but higher than Kuala Lumpur. However the fees are lower than other countries in the region, including Cambodia, Laos and Vietnam.

Bangkok's Don Muang International Airport: Thailand's prime minister has called for cuts in user charges to attract more airlines.

Meanwhile, the Thai Government is to part privatise the nation's airports by selling 30% of shares in the Airports Authority of Thailand (AAT). An initial public offering (IPO) is expected in November. It is thought the sale will raise around US$360 million.

Five airports are directly under AAT control: Bangkok International Airport, Chiang Mai International Airport, Hat Yai International Airport, Phuket International Airport and Chiang Rai International Airport. – **Tom Ballantyne**.■

KLIA struggles to attract the 'big boys'

By Tom Ballantyne

The tempting deals on offer to airlines from Malaysia's Kuala Lumpur International Airport (KLIA), including zero parking and landing fees for both passenger and cargo operators, have attracted an array of smaller carriers to launch new services to Malaysia, but failed to lure back the big boys.

Despite lengthy talks, three prime former customers that had abandoned services to KLIA in recent years – British Airways, Lufthansa German Airlines and Qantas Airways – appear to be standing firm on their strategies to focus their Southeast Asia operations through Singapore and Bangkok.

Malaysia Airports (MAHB) chairman Tan Sri Basir Ismail confirmed recently it was "talking very seriously" to the airlines.

However, officials of all three companies later said they had no plans to resume services.

KLIA also lost Japan's All Nippon Airways (ANA) and Aeroflot Soviet Airlines over the last three years, with the carriers citing non-viability of flights. ANA resumed services to KLIA in July last year after a four-month break.

However, the airport is almost certain to win flights from Qantas' low cost subsidiary, Australian Airlines, which takes to the sky in October, probably starting from early next year.

Opened in 1998, KLIA has continued to have problems attracting enough airlines to make the airport viable.

The facility can handle 25 million passengers a year. In 2001, it processed 14.6 million passengers and expects this to rise to 18 million this year.

The 100% discount on landing and parking charges for five years for new airline customers is also now being offered to existing airlines wishing to increase the frequency of their services. In June, the incentives were extended to air cargo operators.

The Malaysian Government has also set aside more than US$2 million for new carriers flying into KLIA. They will be paid one ringgit for every ringgit they spend on promotional activities such as advertising in Malaysia.

The offers have succeeded in bringing in several new airlines, although most are small operators. In recent months Evergreen International Airlines, Qatar Airways, Xiamen Airlines, Egypt Air and Kuwait Airlines have started services to KLIA. Several existing operators have increased frequency, including Lauda Air, Saudi Air and Emirates.

MAHB said it expected a reasonable profit this year despite a 12.9% drop in half-year earnings. The number of passengers fell 3.8% to 16 million in the six months to June 30, compared with the same period last year. However, cargo rose 6.3% to 375,730 tonnes.■

Arroyo steps in to try and solve terminal fiasco

Philippine president, Gloria Macapagal-Arroyo, has become involved in the dispute at the new third passenger terminal at Manila's Ninoy Aquino International Airport. She has ordered that the US$650 million project be renegotiated, citing that some contract provisions had been amended, including charging passengers "exorbitant" terminal fees, during the presidency of her predecessor, Joseph Estrada, with terms unfair to the government.

The project has become mired in controversy with majority shareholder, Frankfurt Airport operator, Fraport, refusing to pump any more funds in the still-to-be-completed terminal. The European company is now hoping to sell its stake in the new international terminal to the Philippine Government.

However, the Cheng family, representing the local partners, opposes the move and has said it will use its first right of refusal to prevent Fraport attempts to sell the facility to the government.

President Arroyo has said she will make sure the terminal will be opened in the first quarter of 2003.

Government delays and opposition from rivals has sent the cost of Terminal 3 soaring to about US$650 million. Its original estimated cost was US$500 million. Not only is Fraport refusing to invest any more funds for the terminal's construction, now a bank consortium is withholding a US$440 million loan.

Sole operator, Philippine International Air Terminals Co. (PIATCO), signed a 25-year management contract with the Philippine Government to build and operate Terminal Three in 1997. Now the government has alleged it has found seven unacceptable provisions in an amended contract, signed after Estrada came into office in 1998. The former president is now in jail and faces plunder charges.

In August, Fraport, which has a 65% equity stake in the terminal, but only 30% of voting rights, said enough is enough and refused to pay a peso more towards the project. The facility is said to be 90% complete, but requires another US$30 – US$50 million in funding to finish it. The German company has said the money must come from the local shareholders. Fraport's chief financial officer, Johannes Endler, has been quoted in Germany's Handelsblatt newspaper as saying: "If we had known what would happen, we would never have got involved."

Fraport is said to want US$300 million from the government for its stake. A report in the South China Morning Post in September said the Government wanted to acquire all of PIATCO. It had offered to pay Fraport US$400 million over 15 years, with a three-year grace period, if Fraport first buys out the other shareholders and settles a US$53 million contract with Japan's Takenaka Civil Engineering & Construction. The other shareholders include the Chengs and Japanese trading company, Nissho Iwai.

The airport row earlier cost the job of transportation secretary, Pantaleon Alvarez, who had been accused of favouring PIATCO.

Initial delays on the project were caused by the slow clearance of the 65-hectare former military site and the issue of government permits, which meant construction did not start until 2000.

Since then, according to Moises Tolentino Jr., PIATCO's vice-president for public affairs, influential factions, including parties who lost out on the bidding for the terminal operation, have been bent on further delaying, if not halting, the project. Allegations have included contract anomalies, the monopolistic tendencies of the consortium and expected job losses at other terminals.

The turmoil has been complicated by the aftermath of September 11, when added security measures had to be included in the project. These requirements pushed the final cost even higher.

PIATCO is a consortium of Filipino, German, Singaporean and Japanese companies.

As part of the deal over the life of the 25-year contract PIATCO must comply with a guaranteed payment of US$350 million a year to the government.

"Fraport feels it has kept to the terms of its airport contract. Thus, it is now the turn of local companies to produce necessary capital to complete the new terminal," said Tolentino. Thirty percent of the cost of the facility is from shareholder capital, while the remainder is from private financiers.

And this, once again, poses another major problem for the new terminal and its operator.

PIATCO is still awaiting the release of a US$440 million loan from a consortium of banks, led by the Asian Development Bank and the World Bank. Tolentino blamed the draw-down delay to negative publicity PIATCO continues to receive.

National carrier, Philippine Airlines (PAL), is presenting one more hurdle for PIATCO. It has said it will not budge from the relatively new domestic terminal, which it also uses for international flights. The new Terminal Three will prove too expensive for PAL operations, said the airline president, Avelino Zapanta. ■

Guam Airport upgrade

Guam International Airport is working through a multi-million dollar infrastructure upgrade built around the themes of the mid-Pacific island's culture and history in a bid to attract more visitors to Guam and more foreign investment in the airport and its surrounding land holdings.

Executive manager at the airport, Gerald Yingling, said the re-design of the terminal areas unite the retail, food and beverage areas and other passenger facilities into an integrated space that prompts passengers to reflect on the cultural history of the mid-Pacific U.S. territory.

The terminal improvements will incorporate an expanded shopping area, Internet booths, a corporate business centre, an integrated air cargo centre and express package facility built to comply with new U.S. Government security requirements. Plans for a flight kitchen and centralisation of Customs and Quarantine into a single, efficient operation also are in the pipeline. ■

Germans eye Asian growth

By Kitty McKinsey

Germany's leading airports, Frankfurt and Munich, are actively courting the Asian market.

"To be quite frank, all Asia-Pacific carriers and countries are of interest to us, mainly because we consider the Asia-Pacific region to be a huge growth market," said Erica Gingerich, head of international media relations for Munich Airport. Asia "is a very prosperous market which is growing in both regional and international importance and therefore we are positioning ourselves to develop into one of the most important European gateways for Asia."

While Munich's passenger market is still to recover from the events of September 11 – passenger throughput was 7.6% down in the first six months of the year compared to the same period in 2001 – cargo volume has soared.

Volume was up 14% in the half year compared to 2001. The freight boom is primarily due to a nearly 60% rise in freight-only traffic. Singapore Airlines (SIA) is a major contributor through its subsidiary, SIA Cargo, which operates a service from Singapore via India and Munich to New York three times weekly with a Boeing 747-400 freighter.

Munich Airport's summer 2002 schedule includes direct connections to Hong Kong, Beijing, Tokyo, Singapore and Shanghai.

Robert Payne, Frankfurt Airport's manager, international press, said most of the Asia-Pacific's major carriers are already serving the Frankfurt market. However, "it is important their business develops and that Frankfurt Airport develops to accommodate their needs in the future", he added

Frankfurt would particularly like to add China Southern, China Eastern, and Vietnam Airlines to the list of airlines serving that market.

Frankfurt Airport is promoting itself as the most efficient and punctual major-hub airport in Europe (as ranked by the Association of European Airlines). It is the European home of the Star Alliance and Lufthansa's home base. Cargo was down 6% in 2001 compared to 2000 as the effects of September 11 bit hard, but passenger throughput fared better than expected in the circumstances, falling only 1.6%.

It is developing itself as a hub for the "super jumbo" A380 fleets of Lufthansa and Asia-Pacific airlines. Expansion plans call for a fourth runway by 2006 and a third passenger terminal, to be phased in beginning in 2007.

Singapore Airlines Cargo services have played a major part in Munich Airport's cargo boom

In addition to Frankfurt's status as a major financial centre, Payne said Asian relationships with the German city are increasing. There are now large Korean, Japanese and other Asian business communities in the Frankfurt region, he said.

"For example, Hyundai is currently building its new European HQ and design/engineering centre in Ruesselsheim, just a 15-minute drive west of the airport."

But Munich Airport is not conceding any portion of the Asia-Pacific market. "As we do with all carriers, Munich Airport offers joint marketing agreements to attract carriers to fly to MUC, in order to assure that all new routes and connections get properly promoted," said Gingerich.

Munich has other Asian connections as well: a consulting team – building on experience in Munich in 1992 – helped Kuala Lumpur develop a strategy for moving from its old airport to the new Kuala Lumpur International Airport. "Our consulting team is internationally active and acclaimed," Gingerich said. "We're certain that we'll have more to do with the development of Asia-Pacific airports in the future as well." ■

Cargo alternative

A former NATO base in France, Chateauroux-Deols Airport, has been positioning itself as a Paris alternative for the cargo market.

The airport, which was a U.S. base from 1951 to 1967, is situated two hours by road from Paris and boasts that 70% of Europe's centres can be reached within a single day's truck journey.

With environmental restrictions on Paris's two main passenger airports, Charles de Gaulle and Orly, Chateauroux-Deols sees an opportunity to attract more cargo flights from those two locations. Today the airport handles mainly charter flights to and from Africa, the Indian Ocean, South America and the Middle East. It would like to add Asia-Pacific to that list.

"We are really motivated to attract carriers from China and Asia," said Martin Frassignes, general manager of the airport. Chateauroux-Deols' fees are half those of the passenger airports and flight time can be cut substantially because the airport offers no slots, immediate taxi-ing and no waiting time. ■

Hong Kong hub faces mainland threat, says study

By Barry Grindrod

Hong Kong will suffer as one of Asia's major aviation hubs unless it increases its connec tions to mainland China cities, according to the findings of a study released in September.

Hubs like Shanghai, Beijing, Guangzhou and Xiamen are set to benefit from rapid growth in air links as China's economy continues to prosper at a pace, said consultant and study author David Dodwell.

China's three main aviation groups led by Air China, in Beijing, China Eastern, from Shanghai, and Guangzhou-based China Southern, "will be potent drivers of this growth. So too will the global aviation behemoths based in the United States and Europe", said Dodwell, executive director of Hong Kong-based Golin/Harris Forrest.

"While the threat to Hong Kong's superior position as an aviation hub is not immediate, it would be remiss of the Hong Kong Administration to neglect the issue until it has become so. Such a strategy needs to be developed urgently to pre-empt the issue."

Dodwell said success rested on two major factors:

* the need for home carriers Cathay Pacific, which funded the study, and Dragonair to address their network weaknesses. Only Dragonair has rights to fly to China – it has rights to 40 cities, but currently flies to 18 – but it lacks critical mass in the international market. Cathay Pacific, which recently applied for a resumption of its right to fly to the mainland now Hong Kong has adopted a flexible attitude to its 'one route, one airline' policy, faces the reverse dilemma.

* to restrain landing charges and fees to make sure Hong Kong International Airport (HKIA) remains competitive with other hubs in the region.

"It can be argued that Hong Kong is living on borrowed time if it is not able to match China's own domestic hubs in terms of services to mainland destinations (see table)," said Dodwell in his study.

"As more international companies build stronger investment and trading links with companies, first along China's coastal provinces and then into the interior provinces, so demand from

Consultant and study author David Dodwell: Cathay Pacific and Dragonair need to address network weaknesses to enable Hong Kong to compete effectively with China's carriers as they develop their networks

international passengers to fly directly to those regions, rather than transit through Hong Kong, will grow.

"For passengers from North America, it makes no obvious sense to fly across the Pacific, overflying Shanghai en route to Hong Kong, only to fly back three hours later to cities in Shanghai's hinterland unless there are compelling reasons in terms of reliability and safety of Hong Kong carriers and excellence of onward linkages to domestic destinations.

"At present, the opposite is the case: while Dragonair and Cathay Pacific collaborate to link international and domestic flights, they cannot offer the seamlessness that is possible from travelling on a single carrier and they cannot offer the range or the frequency of flights to [mainland Chinese] domestic destinations."

In 2001, there were 4.45 million mainland Chinese visitors to Hong Kong. A large number arrived in the Special Administrative Region (SAR) of China by coach having travelled to Shenzhen, across the border from Hong Kong in southern China. Most of them travelled on cheap package flights with domestic carriers, but 1.08 million flew direct to HKIA.

This figure compares with less than a million mainland visitors to Hong Kong in 1991. Since 1997, the number of visitors has been growing at an average of 18% a year, and is forecast to reach 6.62 million in 2005, according to Hong Kong Tourism Board figures.

Flights to China have risen from 22.9% (216 flights) of the total flights through HKIA in 1990 to 30.7% (559 flights) each week in 2002. Mainland destinations served from HKIA have risen from 24 to 42 in the same period and the number of Chinese carriers flying into Hong Kong has grown from five to nine.

While the growth of services has been strong, increased frequencies of flights have been concentrated on two China destinations. Between April 2001 and March 2002, Shanghai's two airports accounted for 32% of arrivals and departures while Beijing contributed 19.5%.

The International Air Transport Association (IATA) forecasts passenger traffic between China and Southeast Asia will grow at 5.1% a year through to 2020. Domestic Chinese air travel is set to grow 9.3% a year during the same period.

In the next decade a "meteoric" rise

CONNECTIONS

City	Domestic connectivity	International connectivity	
	With Mainland cities	Countries served	Cities
Beijing	67	41	44
Guangzhou	70	18	19
Hong Kong	42	48	131
Shanghai	64	23	27
Shenzhen	51	-	-

in air travel is expected between Hong Kong and the mainland. "Neither Dragonair nor Cathay Pacific are likely to capture a significant share of this fast-growing business unless Cathay Pacific is given the opportunity to compete on mainland routes and Dragonair is able to expand its international route network," said the study. "Neither will be able to provide optimal service to their customers or serve the best interests of the Hong Kong hub if they cannot build links in both directions.

The study said limits on competition on Hong Kong-China services coupled with overseas travellers preference for non-mainland airlines had contributed to high air fares. This could lead to passengers being driven across the border to Shenzhen where they could board domestic flights and pay significantly less for tickets than in Hong Kong. Also, overseas travellers could chose to avoid Hong Kong altogether and use alternative gateways.

China's three new airline groupings are all substantially larger than Cathay or Dragonair, but most of their routes are confined within China. "This is an imbalance that both the CAAC (Civil Aviation Administration of China) and the 'big three' mainland carriers are currently working hard to redress, with plans to build hub capacity around their 'home' hubs, and to develop international connectivity and dedicated air cargo services," said the study.

"These developments are well illustrated by the diversity of cooperative arrangements that have been reached with international carriers, particularly Air China. While none of China's carriers are yet members of any global aviation alliance, these cooperation arrangements suggest close links between Air China and Star Alliance airlines and less clear alignments with the other two groupings." Air China has 10 cooperation agreements with international carriers, China Eastern has signed five and China Southern is a signatory to four.

The Dodwell report said the consolidation of China's major airlines was likely to build international clout to match their domestic strength.

Capacity at China's major airports in Beijing, Shanghai and Guangzhou also will be greatly increased in coming years.■

'IN THE NEXT DECADE A METEORIC RISE IN AIR TRAVEL IS EXPECTED BETWEEN HONG KONG AND THE MAINLAND.'

Dragonair: Beijing, Shanghai routes compensate for loss-making services

Dragonair objects to Cathay's China routes bid

In a touch of high drama, Dragonair, part-owned by Cathay Pacific Airways and its parent, Swire Pacific, has objected to Cathay's bid to resume flights to mainland China, **writes Barry Grindrod**.

Cathay has applied to the Air Transport Licensing Authority (ATLA) to operate scheduled services to Beijing, Shanghai and Xiamen. But in a formal objection to ATLA, Dragonair said the mainland destinations had more than sufficient capacity on the routes and to allow Cathay's application would result in uneconomical overlapping of air services.

"Moreover, Dragonair's ability to expand operations to primary destinations outside China has been constrained in the past, leading to its reliance on the Shanghai and Beijing routes," said a Dragonair press statement. "The two routes have been critical in supporting Dragonair's ability to provide services to other secondary cities in mainland China and the Asia-Pacific, enhancing Hong Kong's status as an aviation hub."

Cathay ceased flying to China 12 years ago and handed its routes to Dragonair when, along with Swire, it took a majority 35% stake (later to be raised to 43%) in the then cash strapped carrier. Cathay then signed a 15-year management contract to run Dragonair.

Since then Cathay (17.8%) and Swire (7.7%) have reduced their equity in the carrier. As a result of the transactions, the management contract was cancelled and the commercial arm of the mainland's civil aviation authority, China National Aviation Corp. (CNAC) now holds a majority 43.3% share in Dragonair.

There is no doubt Dragonair's star has been in the ascendancy in recent years actively assisted in its growth by its mainland masters. Its cargo division has been going from strength to strength since it was launched two years ago and, significantly, in late June, Dragonair was granted 22 passenger flights and two freighter flights a week to Taipei after a new Hong Kong-Taiwan air services agreement (ASA) was signed.

The new ASA was significant because it was the first time two Hong Kong carriers had been allowed to operate on the same passenger route, a breakaway from Hong Kong's decision to operate a defacto one airline-one route policy.

Now Dragonair appears set to vigorously defend the "cash cows" in its China network. Analysts believe profits from the lucrative Beijing and Shanghai routes offset a number of loss-making routes elsewhere in its network for Dragonair.

Two of China's largest international carriers, China Southern Airlines and China Eastern Airlines, also have expressed concerns about Cathay re-entering the mainland market.

Publicly, both Cathay and Dragonair have always denied there is any rivalry between the carriers. Indeed, Dragonair relies on Cathay staff for certain back office services.

At press time it seemed likely Dragonair's objections to Cathay's application could be followed by a Cathay attempt to block an expected application by Dragonair to launch services to Bangkok, Manila, Tokyo, Seoul and Sydney.

Further down the line, as was suggested by Hong Kong-based consultant, David Dodwell, it could be that as competition intensifies Cathay and Dragon-air will have to finally cut all ties and become totally independent of each other.■

Retirement? No way says Emirates' 73-year-old pioneer

Flanagan started the airline with US$10 million, now Emirates is challenging the biggest and the best – and ruffling a few feathers along the way

By Tom Ballantyne

Maurice Flanagan, managing director of the Emirates airline group, readily concedes he may be the oldest chief executive in the airline business. "I'm 73, way past my 'sell-by' date", he quipped. "But no corrosion has set in yet and I have no plans to retire. I'll stay as long as they still want me. We are doing all right."

Emirates, in fact, is doing much better than "all right" and it is no surprise the Middle Eastern operator's chairman, His Highness Sheikh Ahmed bin Saeed Al-Maktoum, has not even hinted it might be time for his ebullient, Lancashire-born airline supremo to park his own frame in the desert.

During the worst year in aviation history, Emirates has prospered. It ordered US$15 billion worth of new jets from Airbus and Boeing and grew in stature as one of the world's most successful carriers. With most airlines scrambling to stem fiscal haemorrhaging, it posted a record US$115 million profit in the year to March 31, up 11% on the previous 12 months, as passenger numbers soared 18.3% to 6.8 million.

Launched in 1985 – "they gave me US$10 million to start a serious international airline," laughed Flanagan – Emirates aims to increase its fleet of 39 to at least 102 by the end of the decade. Even that may not be enough. Dubai, Emirates' home, plans to increase traffic through its hub airport from today's 13.5 million a year to 51 million by 2015.

Flanagan has kept Emirates in the spotlight with a shrewd mix of profits, expansion, endless awards for inflight service and a striking public global profile, much of it through highly visible sports sponsorship. A four-year sponsorship deal with English Premier League soccer side Chelsea and support of horse racing, cricket, rugby union, tennis and golf keep the airline's name before millions of sports watchers world-wide. Since July, for instance, the International Cricket Council's team of umpires have sported the message "Fly Emirates" on the back of their shirts, a breakthrough for Emirates in sports advertising.

In Sydney recently to sign yet another sponsorship deal, this time with the Australian Jockey Club, Flanagan spoke to *Orient Aviation*, scoffing at suggestions Emirates is cash rich, its wallet stuffed with Middle Eastern oil dollars. Allegations the airline had no cash worries because it received hidden subsidies were "ill-informed", he said. They had been made even though the carrier published transparent, audited annual accounts and the allegations were worrying because such claims could affect government decisions on offering traffic rights.

Emirates Group managing director, Maurice Flanagan: forward thinking and metaphorically as fast on his feet as a 20-year-old

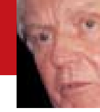
"This hits us on a vulnerable spot because we ourselves have no such protection at all. The Government of Dubai, in the promotion of Dubai's economy, sensibly maintains an Open Skies policy. We are therefore subject to unlimited foreign competition in our own home market. In these circumstances, we have to be smart to survive, and I am happy to say that we do much more than survive," said Flanagan.

Emirates has been smart from the start. When he launched the airline – Flanagan had been on secondment from British Airways' predecessor BOAC to the Dubai Government since 1978 – his first aircraft were wet leased from Pakistan International Airlines (PIA). "They provided the aircraft and the flight deck crew. We provided the cabin attendants. The arrangement was we paid six months in arrears. That meant money was coming in from the start, rather than going out.

""We made a profit in the first year. In the second year we made a slight loss, but we have been comfortably profitable every year since then," said Flanagan.

Emirates' expansion has been ceaseless. It flies to 60 cities in 42 countries, with Perth in Western Australia among the latest additions, now being served four times weekly with B777-200s. Over the past year it also added Hyderabad in India and Casablanca in Morocco, as well as extra services to Hong Kong, Tehran and Johannesburg. Mauritius also came on line in September.

Flanagan believes Asia is a critically important market for Emirates. Already flying to Bangkok, Kuala Lumpur, Singapore, Jakarta, Manila and Hong Kong, it begins a four times weekly code-share with Japan Airlines to Osaka on October 1 using Emirates B777s. Freighter services to Shanghai – cargo accounts for



17% of the airline's revenue – will also begin before year's end and the airline has China in its sights for passenger services.

Next year will mark a milestone when flights to the U.S. are launched. Daily Dubai-New York services will start in June, using the new Airbus A340-500, capable for the first time of making the non-stop flights of up to 18 hours directly over the North Pole. Daily services to both Chicago and Los Angeles will follow later and Canada and South America are on the radar screen.

Emirates also wants to increase frequency of its Australian flights to Sydney, Melbourne and Perth and is awaiting news on a request for more capacity rights. That move continues to cause angst at Qantas Airways, which argues Emirates isn't really interested in Australia-Middle East traffic, but is bent on tapping into sixth freedom traffic to Europe.

That is an argument that brings a heated response from Flanagan. "What are they complaining about for crying out loud? Qantas certainly aren't interested in the Middle East. They pulled out of Bahrain. If they are complaining about sixth freedom traffic, tell me who is not flying sixth freedom traffic. What about Singapore Airlines? They exist on sixth freedom traffic."

He may be a septuagenarian, but Flanagan is as forward thinking and, metaphorically speaking, as fast on his feet as a 20-year-old. The massive aircraft order placed last November shows he doesn't plan to get caught in the past. It includes 22 A380 super jumbos (two are freighters and there are 10 further options on passenger versions), 25 Boeing 777s, eight A340-600s and three A330-200s, in addition to the six A340-500 very long-range Airbuses (with 10 options) already on order.

Emirates Airline: looking to increase its fleet from 39 to 102 by the end of the decade – but that may not be enough

When Boeing disclosed plans for its revolutionary Sonic Cruiser, Flanagan was one of the first to fly to Seattle to discuss it. He believes if it saves time by flying faster and meets undertakings of having seat-mile costs on a par with existing jets, the Cruiser "could be a world beater".

Flanagan's willingness to invest in something new showed through when he moved quickly to ensure Emirates was a launch customer for the A380. He insisted Emirates and not Singapore Airlines would be first in service with the plane: "We think we got in ten minutes before SIA, but neither of us could understand what the other airlines were waiting for."

He is also very clear about what will be done with the biggest passenger jet ever built. "We will have 533 seats. There's no way that we are going to waste the space with saunas, swimming baths, restaurants and gyms. But 533 is not packing them in all that tight. You could get over 700 seats in the space if it was single class," he said.

Flanagan is the first to admit Emirates suffered in the immediate aftermath of the U.S. terror attacks a year ago.

"Our business suffered particularly badly from the perception that the nearer one is to Afghanistan, the greater the risk and Dubai was falsely perceived as being very close to Afghanistan. Traffic on most of our routes, especially our crucial European routes, fell drastically. Yet by Christmas we had recovered our equilibrium and were back on track," he said.

Interestingly, being headquartered close to a part of the world perceived as volatile and politically unstable, with ongoing uncertainty in Israel and Palestine not to mention Iraq, has failed to dampen Emirates' growth.

During the Gulf War it was the only airline that didn't miss a beat. "We didn't miss a single flight between here and Europe. The market dropped, but we had a massively increased share of that smaller market and when things returned to normal we retained that share as people stayed with us."

Despite the uncertainties of today's airline market, Maurice Flanagan has no doubts about where Emirates is going. "We plan for a dynamic future," he stated. Given his record, it is difficult to see any other course.

Flanagan: a man of letters

Maurice Flanagan isn't only a consummate airline chief, he is also a man of letters. Years ago, before starting his long and distinguished aviation career, he wrote a prize-winning television play and had a number of poems published in *The Spectator*. Luckily for Emirates, he turned down offers to pursue a literary life in favour of a more reliable future in industry.

Today, he still counts writing among his hobbies, along with "learning to play the piano, learning Arabic and cricket".

Born in Leigh, Lancashire, England, in 1928, he was educated at Leigh and Lymm grammar schools in Cheshire and holds a BA from Liverpool University. He is also a Fellow of the Chartered Institute of Transport, the British Institute of Management and the Royal Aeronautical Society.

After completing National Service as a navigating officer in the Royal Air Force, he joined British Airways' predecessor BOAC in 1953 as a graduate trainee and served around the world in various positions at stations in Calcutta, Bangkok, Tripoli (Libya), Kano (Nigeria), Nairobi, Colombo, Lima, Bahrain, Abadan and Bombay. Returning to the UK in 1968, he rose through the executive ranks and when BOAC became British Airways in 1973 he was appointed regional sales manager UK (North) and then assistant general sales manager.

Flanagan went on secondment to the Government of Dubai in 1978 as director general of DNATA, now Emirates' sister company and the sole ground handling agent at Dubai International Airport. He finally left BA in 1983 and became Emirates' managing director in 1985 when it began operations. In 1990 he was appointed Group MD of Emirates/DNATA.

Flanagan was named a Commander of the British Empire in the Queen's Birthday Honours list in June 2000. He is married with three children and four grandchildren.

Welcome party over for SkyNet

Fair Trade Commission investigating rivals plan to slash ticket prices

By Daniel Baron in Tokyo

Japan's Fair Trade Commission (FTC) is crying foul - already.

Japan's new airline, SkyNet Asia Airways (SNA), launched its operation on August 1 with five daily return services between Tokyo-Haneda and Miyazaki, which increased to six from September.

SNA entered the market touting its frequency, fares and frills: more flights than Japan Airlines (JAL), Japan Air System (JAS) or All Nippon Airways (ANA), at sharply lower standard fares and with more generous seat pitch.

When SNA launched, Japan's majors did not lower fares to match it. The "goodwill gesture" was meant to avoid the impression of trying to clip the wings of the competition before it even left the gate.

The welcome party is now officially over.

JAL, JAS and ANA announced their intention to sharply cut fares on the Haneda-Miyazaki route from November.

The plan to match SNA has attracted the attention of the FTC, which has launched an investigation to determine if the action would violate the country's anti-monopoly law. The probe also will look into fares and costs at the majors on routes served by Skymark Airlines.

In its first two weeks of operation, SNA flew 10,000 passengers. According to the carrier, average load factor on the Miyazaki-Haneda segment in August was close to 90%. The feisty newcomer enjoyed an overall average load factor of 85.1% for the month, well above its estimated 55% break-even figure.

However, it remains to be seen whether SkyNet Asia's entry will create new demand for the route or simply wind up clawing for its portion of a pie the established carriers claim was already shrinking.

SkyNet Asia Airways: rivals trying to clip new carrier's wings on pricing

From JAL's point of view, the decision to reduce fares should hardly surprise. "Here we have a situation where a poorly performing route has had extra capacity dumped on it," said JAL spokesman Geoffrey Tudor. "We are trying to hang on to our market share. It's called competition."

FTC secretary general, Akio Yamada, said that his commission was concerned with "the increasing possibility of new entrants being eliminated from the market". The investigation, said the FTC, may prompt the Ministry of Land, Infrastructure and Transport (MLIT) to halt fare matching by JAL, JAS and ANA on routes served by the smaller carriers.

In 1999, the FTC allowed the major carriers to lower fares in response to the arrival of new competitors, Skymark and Hokkaido International Airlines (Air Do). The inability to compete on fares, combined with high costs, eventually forced Air Do to seek court protection earlier this year.

With the upcoming integration of JAS into JAL, as well as little potential for a substantial increase in capacity at Haneda until a new runway is built, both the FTC and the MLIT are under pressure to strike a balance that will keep any new player aloft for now.

They are also keen to set a precedent before the launch of Lequios Airlines, yet another one-route upstart that hopes to undercut the majors with lower fares. Lequios plans to start service between Haneda and Okinawa in April 2003.

Briefly . . .

__CARGO. . .__ Guangzhou-based __China Southern Airlines__ has begun its three times a week cargo service between Shanghai and Los Angeles, with a pick-up in Shenzhen, the mirror city to Hong Kong on the southern Chinese border. __Hong Kong Air Cargo Terminals (HACTL)__ added 14 destinations to its Pearl River Delta Super Link China Direct Airport to Door Service in September. The service allows Chinese imports to be cleared at the Superlink Terminal in Hong Kong, re-bonded in the southern China Huangpu Free Trade Zone through HACTL company, __Hong Kong Air Cargo Industry Services (HACIS)__ and delivered directly to a growing number of southern China cities.

__INFORMATION TECHNOLOGY . . .__ Beijing-based __Air China__ chose Swedish IT company, __RM Rocade__, to supply a new integrated Crew Management system suite for its crew planning, planned for operation from mid-2003.

__MAINTENANCE . . .EVA Airways__, Taiwan's second international carrier, has applied to its government for permission to service and overhaul aircraft operated by Mainland Chinese carrier, __Shanghai Airlines__. A decision in favour of the deal would further breach Taiwan's resistance to direct aviation links with China.

Global aircraft engine manufacturer, __Rolls-Royce__, has signed a US$100 million 10-year fleet hour deal with __China Eastern Airlines (CEA)__ to service the carrier's Trent 500 on its new fleet of five A340-600 airplanes. Deliveries of the new airliners to CEA are planned to start from next March.

SIA may start third party pilot training

By Tom Ballantyne

Moving rapidly towards completion of the transfer of its Learjet 45 ad vanced pilot training operation to Australia's Sunshine Coast, Singapore Airlines (SIA) has launched a study into the commercialisation of its flying college operations and the potential in selling pilot training to other airlines.

With the Singapore Flying College (SFC) headquartered in Singapore, a strong *ab initio* flying school at Jandakot in Western Australia and the Learjet facility, SIA's senior vice-president flight operations and Flying College chairman Captain Maurice de Vaz believes the carrier is ideally placed to tap into an expected growing global need for commercial pilot training.

"We haven't looked at it in earnest up to now because we have been busy growing ourselves and keeping up with SIA needs. But I think there is going to be a big shortage of pilots in about five years' time and therefore we think we should commercialise because our position is quite unique.

"We are an airline-run flying school, so everything is geared to training the pilot to be an airline pilot as opposed to training simply to get a flying licence," explained de Vaz. "That is our main plus and we think that is quite a unique product. If it is feasible we will have to increase our facilities in Jandakot and Singapore and then if people want to do the Learjet part as well, that is available to them, though it is not essential."

SIA announced the move of its four-strong Learjet fleet to Maroochydore, north of Brisbane in Queensland, in December last year. Two older planes were traded in for new aircraft, which flew directly into the new base in August. A new building is being constructed to accommodate an Advanced Jet Simulator (AJS), currently located in Singapore. After it is moved to Australia, probably before the end of the year, the other two Learjets will also move to Australia.

At present, around 140 cadets move through the SFC annually, gaining their

SIA senior vice-president flight operations and Flying College chairman Captain Maurice de Vaz: SIA to tap into global pilot training need?

Air Transport Pilot's Licence (ATPL) after basic training in Singapore and most of their flying conducted at Jandakot. Started in the early 1990s, the Learjet operation is designed to smooth their transition from propeller twins to the cockpit of SIA's big jet fleet of B747s, B777s, A340s and A310s.

"The Learjet is meant to prepare these cadets who have finished their *ab initio* training for stepping in to a big jet," explained de Vaz. "We put these cadets through about 35 hours of flying, getting an appreciation of jet flying, high speed, two-man crew operations, as well as up to 14 sessions in the simulator. When they finish we convert them to one of the aircraft in the company's fleet to start a programme of second officership."

The Learjets have operated from Singapore since the early 1990s, but ongoing issues encouraged the SFC to consider alternatives. "We have always had this problem of maintenance in Singapore because we are part of a big company and they have to give priority to the bigger airline fleet. That was not satisfactory in terms of efficiency and productivity of

SPECIAL REPORT

The Singapore Flying College chief pilot Captain Chan Wa Hong alongside SIA's Learjet trainers

the Learjet.

"There was also a problem with airspace congestion. We do most of our training in Thailand and northern and western Malaysia, so there's always a question of traffic rights and permission to fly," said de Vaz.

SIA was initially attracted by the concept of moving the operation out of Singapore after purchasing two new Learjet 45s from Bombardier in 1999. "We did some training in the U.S. and found it to be so different because the infrastructure there for flying training is very good. There are plenty of airfields and good ATC. We were based at the Bombardier factory there and maintenance was excellent. After that six months' experience in the States we said 'why don't we maybe move?' "

But Bombardier was extremely busy at the time and unable to provide the long-term facilities SIA required. It was the Canadian company which suggested the airline look at Australia, where Hong Kong's Cathay Pacific had also decided to base a Lear 45.

"We looked at Adelaide and we looked at Essendon in Melbourne and then the people on the Sunshine Coast came and said come and have a look at this place called Maroochydore. We did a proper evaluation and decided it was the best location for all our needs. Conditions are ideal with good weather and there is no air space congestion," said de Vaz.

Maintenance requirements were also on hand, through an arrangement with local aviation services company Aeromil, which already had a facility at Maroo-chydore.

With plans already in place to expand its flying school in Western Australia and similar growth likely at the Learjet facility, the Singapore Flying College could well be in an ideal position to turn its until-now internal pilot training operations into a major supplier to the world's airlines if, as expected, the demand for new pilots booms.■

TRAINING talk

FLIGHTSAFETY, BOEING AGREE ON 'DIVORCE'

At press time, Orient Aviation *was told Boeing and FlightSafety International had agreed to terms of the "divorce" from their flight training joint venture, but no details were available. It is understood the official parting of the ways will take effect from January 1.*

In July, it was reported that Boeing management was working on a deal to buy out FlightSafety, the world's largest aviation training provider, and a 50% partner in the joint flight training venture.

The two companies joined forces in March, 1997, to train pilots on large jets. Known as FlightSafety Boeing Training International (FSB), the chemistry and corporate and training cultures of the huge Boeing company on the one hand and FlightSafety on the other were too far apart. As an example of the different approaches of the two companies even now FlightSafety founder, A. L. Ueltschi, who is in his seventies, maintains a hands-on role in his business.

FSB has 800 employees, with 70 simulators in 20 locations around the world. It trains 20,000 people a year. In China, it has a representative office in Beijing and a training centre in Kunming, Yunnan province.

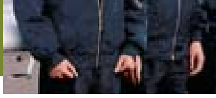
AIRBUS, CAE JOIN FORCES

Flight simulator and integrated solutions provider, CAE, has entered into a 10-year renewable cooperation agreement with Airbus Industrie for the development of a global network of training centres supported by the largest fleet of Airbus full flight simulators in the world.

CAE will provide equipment, facilities and advanced training technology while Airbus will supply its courseware and training expertise in the venture. The Airbus Miami facility will be combined with CAE's centres in Denver and Toronto while Airbus's Toulouse training facility will link with CAE centres in Madrid, Brussels, Rome, Dubai, Singapore and Sao Paulo.

• From September, Thai Airways International (THAI) is leasing Boeing 777 flight simulator time to Austrian carrier, Lauda Air, at its Bangkok training facility. THAI has 37 third party customers for its five simulator types, B747-400, B777-200/300, B737-400, A330-200/300 and A300-600.

• Air Macau has purchased an Airbus A320 Maintenance/Flight Training Device from Wicat Systems, a division of Faros.■



BAE SYSTEMS Flight Training's pre-flying aviation English courses are paying dividends for Asia's cadets

China's cadets a class act

By a Special Correspondent

BAE SYSTEMS Flight Training in Adelaide, South Australia, is experiencing a timely boom in business as Asian airlines accelerate pilot training programmes slowed over the past year and new customers prepare for proposed fleet expansion as the industry recovery takes a firm hold.

"The current resurgence in the Asia-Pacific aviation market is certainly being felt at the training level. Our planned student numbers are up significantly over those of only a year ago, due to an increase in the number of students from existing customers and the introduction of new clients," said Keith Morgan, BAE SYSTEMS Flight Training's business development manager at Parafield Airport.

"Additionally, we are seeing considerable interest from airlines that have not traditionally run cadet training programmes or who had suspended them in recent times".

One of Asia's most successful specialist airline training organisations, BAE Flight Training has graduated more than 2,000 cadet pilots for many of the world's leading airlines including Cathay Pacific Airways, Qantas Airways, British Airways and Singapore Airlines. The current customer list includes Qantas, Cathay Pacific, Dragonair, the Hong Kong Government Flying Service, China Airlines, Air China, Emirates Airline, South African Airways and Khalifa Airlines.

Morgan said that as with many airlines in the region, the centre is starting to see "a little light at the end of what has been a fairly curvy tunnel" over the last few years. There are presently around 150 cadets in training and this is expected to increase to the campus capacity of around 190 by early 2003, he predicted.

China's national flag carrier, Air China, has recently dispatched six cadets for training at the Parafield facility. Morgan sees great potential for business opportunities in aviation training in China.

"This is an area where we are prepared to share our skills and experience with our partners in China. If you want fine porcelain you have to start with good clay," he said. "Sound selection is usually only half of the recipe for success. Our experience has shown English language training [in China] prior to the start of flying training for customers, where English is not the mother tongue, is essential.

"Air China signed up for this training, which allowed us to introduce aviation specific English early in the programme. We will continue English language support throughout the 44-week course. We achieved an excellent result with our last group from Shanghai Airlines."

Air China's cadets at the BAE SYSTEMS Flight Training Centre

He said China now has an excellent safety record and its commitment to quality in all aspects of operations is underpinned by a commitment to quality training. "The track record demonstrated by Adelaide in the provision of flight training services to students from non-English speaking backgrounds is considerable and the customer base testifies to their achievement in this area," said Morgan.

Morgan said the cadets from Air China are training with cadets from around the world and as with aviation in general, English language is the thread that binds the students at the college.

"The students are introduced to the principles of CRM from the commencement of training, provide support for each other, regardless of who their sponsoring airline is and return to a transition or full flight simulator course with a solid aviation skill set."

He said the secure campus environment at Parafield is well suited to airline pilot training. The college is a modern, self-contained complex, purpose-built for *ab initio* pilot training.

Fully compliant with Australia's Civil Aviation Safety Authority (CASA), the college also is the only school with Hong Kong Civil Aviation Department 509 approval. Additionally, courses have been developed to meet the requirements of many other regulatory authorities including, but not limited to, South Africa's CAA, China's CAAC, Algeria's CAA, United Arab Emirates' GCAA and Taiwan's CAA.

"While the prime thrust at the Adelaide college is *ab initio* airline cadet pilot training, significant amounts of industry training also have been completed. In the past, the college has provided training for airline and regulatory staff of the various customer nations. A full suite of pilot training services is available, ranging from pilot screening and selection to advanced transition training and jet handling courses," said Morgan.

"We have added significantly to our capability in the last couple of years by installing three Frasca 242 simulators and we have recently celebrated the first anniversary of the introduction of a Cathay Pacific owned Learjet 45 to our training fleet."

The proximity, clear skies and cost-effectiveness of Australia as a training destination are added attractions for airlines in the Asia-Pacific region.

Hart to heart

It's been tough, but setting up Dragonair's flight training centre has almost been a labour of love for its boss, Capt. Felix Hart. Now, with a second simulator in operation, the time has come for the company to recoup some of its investment

By Barry Grindrod in Hong Kong

"This is not so much a job, it's more a calling," said Dragonair's flight train-ing centre general man-ager, Captain Felix Hart, of his role at the two-year-old, state-of-the-art facility, a stone's throw away from the Hong Kong International Airport at Chek Lap Kok.

He says the same about flying, but the training centre is Capt. Hart's baby. It was a long time in the making.

Back in 1985, the 59-year-old, former Royal Air Force and Britannia Airways pilot, was one of only 12 cockpit and cabin crew to join Dragonair when it launched services with one B737.

"I have been writing papers since 1987 trying to justify our own training centre," said Capt. Hart, who has served as chief training captain, chief pilot, manager of flight operations and general manager of operations in his 17 years at the airline.

The early years, however, were tough for Dragonair as it came under intense pressure from Cathay Pacific Airways. However, he survived the regional carrier's ups and downs and in recent years has shared in its dynamic success.

By the end of 2005 Dragonair will have a fleet of 26 aircraft, twice the number it had in 2000.

That means a lot of work for the training centre as the carrier builds up its team of pilots and cabin crew.

The centre opened in June 2000 alongside Dragonair's new headquarters in CNAC House which opened at the same time.

It started with a CAE full flight A320 simulator, but since a new CAE A330/340 simulator received the Hong Kong Civil Aviation Department's highest D-level certification in July, the centre's marketing men have been busy looking for third party business.

In addition to the simulators, Dragonair operates a computer based training (CBT) system and flight management and electronic centralised aircraft monitoring system trainers. The centre has a cabin emergency and evacuation trainer and door trainer which provide safety and emergency training for flight deck and cabin crews for A330, A321 and A320 aircraft.

Dragonair's general manager, flight training centre, Capt. Felix Hart: board took a brave decision

Dragonair offers wet or dry training and has four instructors of its own. Other packages it offers include recurrent training, transition training, cross crew qualification, instructor training, multi-crew co-ordination courses, jet orientation training, cadet bridge training, command training and low weather minima operations.

The home airline's training needs take up about 50% of the centre's capacity. Capt. Hart said using "sociable hours" (7am – 10pm) the facility has the capacity for about 4,500 simulator hours a year. Use at the moment translates into between 2,500 and 3,000 hours annually.

Airlines to have used the centre to date are Qantas Airways (pilots and instructors), Air Macau (emergency procedures), Air Lanka (instructors' workshop) and Taiwan's TransAsia. Capt. Hart said negotiations are underway with a number of other carriers, including Chinese airlines.

Capt. Hart is passionate about his work. It's easy to see as he walks around Dragonair's three-storey training facility. He is on first name terms with the local trainees and staff, he marvels at today's flight training technology and doesn't waste an opportunity to demonstrate it, but most of all he marvels that a small, albeit fast growing, airline like Dragonair should have its own world class training centre.

The commercial value of the building and its equipment is put at around US$40 million.

"It was a very brave decision by our board [to approve funds for a training centre] when the trend at airlines was to outsource [training]," said Capt. Hart, who took on his present role in 1999.

"Over the years we have been dependent on service providers for simulators and in that time we have seen the good, the bad and the ugly."

What's more Dragonair pilots have had to travel to all four corners of the globe to a variety of training centres over the years, which proved costly not only financially, but also in time.

Most importantly, said Capt. Hart, Dragonair wanted to be the master of its own destiny.

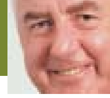
This was important because of the airline's cadet programme that trains local, newly graduated pilots to move directly into the first officer's right hand seat. "They are not second officer pilots," said Capt. Hart.

"We have to bridge the [training] gap between the cadets graduating at BAE SYSTEMS Flight Training in Adelaide [Australia] to the time they step into the right hand seat. This is only possible if you have your own training facilities."

Dragonair has 264 pilots from 19 countries of which 197 fly its all-Airbus passenger fleet of eight A330s, four A321s and eight A320s. They include 14 Hong Kong Chinese pilots who have risen through the Dragonair cadet scheme.

There will be a steady requirement for flight crew as Dragonair's fleet continues to expand in the coming years. Capt. Hart said there is no agenda to replace expatriates with local pilots. "The two programmes run in parallel," he said.

But there is no mistaking the popularity of the pilot's profession among Hong Kong's young people today. For every pilot vacancy, Dragonair receives, on



average, 250 applications.

This has not always been the case. A few years ago Hong Kong students were more enthusiastic about following careers in stockbroking, accounting or the law, but following the Asian economic crisis of 1997-98 the emphasis changed. “The work Cathay Pacific has done in creating awareness [of a career as a pilot] in schools has born fruit,” said Capt. Hart.

The first intake in 1986 included Rosa Chak a former air traffic controller who went on to become Hong Kong’s first woman captain (she flies the A330) and a former senior police inspector. Eight graduates from the 1980s are still flying on line with Dragonair.

However, in 1987 as the airline entered a period of uncertainty, local recruitment was halted. With the airline on a firm footing hiring resumed in 1999.

An additional six graduates have since joined the fleet and another seven are currently undergoing training in Adelaide. Four cadets will start training in October.

Capt. Hart has noticed another emerging trend.

“We are receiving applications from a number of young local people who have left Hong Kong, got their commercial pilot’s licence elsewhere and are working overseas.” Five have joined Dragonair in the last two years.

Today, as Dragonair sets out in earnest to market its training facilities it knows that its main rival is just across the road at Cathay’s training centre.

GE Capital Aviation Training (GECAT), which established its Asian base in Hong Kong two years ago, leases four of Cathay’s simulator bays, two of which house A320 and A330/340 simulators. It has 20 customers in its portfolio.

“We are in the same market for some customers. Over capacity is going to translate into price and service competition,” said Capt. Hart.

He believes Dragonair will be more than equal to the task ahead. And after spending many years making a case for its own training facility, Capt. Hart will, no doubt, retire a happy and contented man next year.

* Dragonair is majority owned by the China National Aviation Company with a 43.29% shareholding. Other shareholders are CITIC Pacific Ltd (29.35%), Cathay Pacific Airways (17.79%), Swire Pacific Ltd (7.71%) and others (1.86%).■

‘FOR EVERY PILOT VACANCY, DRAGONAIR RECEIVES, ON AVERAGE, 250 APPLICATIONS.’

Student flyers a cash boost to PAL's bottom line

By Rene Mallari
in Manila

Over the last 40 years, Philippine Airlines (PAL) has seen nearly 800 pilots graduate from its aviation school. Its chief pilot for flight training, Eric Dulay, is proud of the airline's achievement.

"Many pilots at other local airline operators are ex-PAL flight crew. And a number of airlines in the region that have expanded their fleets have also recruited former PAL pilots," he said.

But now Dulay's programme has taken on an added significance for the Philippines' flagship carrier.

With PAL in its third year of financial rehabilitation, after almost going out of business in 1998, the training department's contribution to the bottom line from third party work is even more important. The airline, once the strongest of the Asian carriers, has a long tradition of pilot training. It once trained Singaporean and Malaysian pilots when their respective flag carriers were in their infancy.

In addition to keeping its 400 pilots current, about 30-35 youngsters join PAL's cadet programme each year, a reduced figure from the days before 1998 when the airline had a larger fleet.

PAL also has commercial and private pilots' licence packages.

The airline's flight training division has three facilities. PAL uses Clark Air Field, the vast former U.S. military base in Pampanga province, north of Manila, where it has five Cessna 172s based for student training for its various programmes.

Its wide open, flat surroundings make it an ideal training ground compared to Manila where the use of only one runway can lead to 25-minute delays in takeoff.

A number of the estimated 20 flying schools in the Philippines also are based at Clark.

PAL has a flight crew training facility in Nichols Pasay City, which includes its one full flight simulator, a B737-300. Pilots flying the carrier's Boeing 747s, Airbus A340s, A330s and A320s hire time in GECAT's simulators based in the Cathay Pacific Airways training centre in Hong Kong.

Some sections of ground school training are conducted in the PAL Training Centre in Manila. The centre is also used for managerial, marketing, ticketing, reservation and technical courses.

Cabin service mock-ups for the B747, B737 and A340 are based in the same centre as are door trainers and evacuation and safety trainers. The complex also has a grooming room, speech laboratory, auditorium, executive lounge, boardroom and library.

Philippine Airlines: a tradition of pilot training stretching back 40 years

PAL's Crew Resource Management programme, which includes the integration of flight and cabin crews, is critical to the behavioural side of flight training. "It's not just about your technical and flying skills, it's also about the capability of being able to communicate effectively with your team," said Oliver Yasay, PAL manager for human factors.

Omni Aviation Corp. is one of the private schools based at Clark. The 10-year-old flying school is run by 70-year-old Ben Hur Gomez, a former 747 PAL captain. It has its own 640-metre by 16-metre asphalted runway on a 32-hectare lot. It offers courses for private and commercial licences, using its 21 Cessna 152s and 172s. Packages cost between US$3,134 and US$10,520 or they can be paid at an hourly rate of US$62 to US$128.

Gomez, a 39-year flying veteran who logged 33,000 hours with PAL before his retirement in 1992, said most of his students are from the U.S., Europe and Japan.

The expatriates are the key to Omni's survival. "If we were depending on our local students we would not be able to afford maintenance and spare parts, which are, of course, our priorities. Pilots' jobs are very rare nowadays. There are more pilots in the Philippines than there are jobs."

The economic downturn has brought financial difficulties for some flying schools while other schools are closing shop altogether, said Gomez.

He is worried that fly-by-night aviation schools continue to exist in the Philippines. "You can find schools with just one airplane and one pilot. They have classrooms and they call themselves a flying school," said Gomez. Others cut corners, factors that could have devastating results on safety. He said he has heard of schools that do not allow students to fly solo because they are not competent enough, yet the schools still log flights as solo flights for their students. ■

ASIA-PACIFIC FLEET CENSUS UPDATE

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Aboitiz Air (Philippines)				
YS-11-100	RR Dart 543-10K	2	-	-
YS-11-500	RR Dart 543-10/10K	4	-	-
YS-11-600R	RR Dart 543-10/10K	1	-	-
Air Asia (Malaysia)				
B737-300	CFM56-3	2	-	-
Leased in: GECAS				
Air Caledonie (New Caledonia)				
ATR42-320	PWC PW121	4	-	-
Do 228-212	Gar. TPE331-SA 2520	1	-	-
Aircalin (Air Caledonie International, New Caledonia)				
A310-325	PWC PW4156A	1	-	-
Leased in: AIFS				
A330		-	2 (2003)	-
A320-200		-	-	1
B737-300	CFM56-3B2	1	-	-
Leased in:				
DHC6 Twin Otter		1	-	-
Air China				
B747-400C	P&W PW4056	8	-	-
B747-400	P&W PW4056	4	-	-
B747-200F/SF	P&W JT9D-7R4G2	4	-	-
B767-300	P&W PW4056	5	-	-
Leased in: 1 Mitsui & Co				
B767-200ER	P&W 4052/JT9D-7R4	5	-	-
B777-200	P&W PW4090	10	-	-
B737-800	CFM56-4C4	9	-	-
B737-300	CFM56-5C4	19	-	-
A340-300	CFM56-5C4	3	-	-
Leased out: Cathay Pacific 3				
A318		-	8	-
BAe 146-100	Lyc ALF502R-5	4	-	-
Air Do (Hokkaido International Airlines, Japan)				
B767-300ER		2	-	-
Leased in: 2 (AWAS)				
Air Fiji				
DHC-6-300 Twin Otter	PWC PT6A-27	1	-	-
DHC-6-200	PWC PT6A-20	1	-	-
Leased in Air Vanuatu				
Beech Baron 95-C55	Cont IO-540	1	-	-
Y-12 Mk-II	PWC PT6A-27	3	-	-
EMB 110-P1	PWC PT6A-34	2	-	-
BN2A-20 Islander	Lyc O-540-K1B5	3	-	-
Air HongKong				
B747-200F	GE CF6 50-E2	1	-	-
A300B4	GE CF6 50	1	-	-
Wet Leased				
Air India				
B747-400	P&W PW4056	6	-	1
B747-300 Combi	GE CF6-80C2B1	2	-	-
Leased in: 1 from Citicorp Leasing Inc				
B747-200	P&W JT9D-7J -7Q	4	-	-
A300B4-100/-200	GE CF6-50C2	3	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
A310-300	GE CF6-80C2A2	13	-	-
Leased in: 5				
Air Japan (ANA subsidiary)				
B767-300	GE CF6-80C2B2F	8	-	-
All ANA aircraft				
Air Kiribati				
Y12 Harbin	PT6A-27	1	-	-
ATR 72-200		1	-	-
Air Macau				
A320-200	IAE V2527-A5	3	-	-
Leased in: ILFC				
A321-100	IAE V2530-A5	5	-	-
Leased in: ILFC				
A319	IAE V2530	2	-	-
Air Maldives				
A310-200	P&W PW-JT9D	2	-	-
Leased in: A. I. Leasing Inc				
Do 228-212	Gar. TPE 331-5A-252D	2	-	-
DHC-8-200	PWC PW123D	1	-	-
Air Mandalay				
ATR 72-212QC	P&W PW 127	2	-	-
Air Marshall Islands				
HS 748-2B	RR Dart 536	1	-	-
Do 228-212	Gar. TPE331-5A-252D	2	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Air Moorea (French Polynesia)				
DHC-6-300	PWC PT6A-27	3	-	-
Leased in: 1 Leased out: 1				
Air Nauru				
B737-400	CFM56-3C1	1	-	-
Air Nelson (New Zealand)				
Fairchild Metros	Garrett TPE331-11U-611	4	-	-
Saab 340A	GE CT7-5A2	4	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Air New Zealand				
B747-400	RR RB211-524E	3	-	-
B747-400	GE CF6-80C2B1F	5	-	-
Leased in: 4				
B767-200	GE CF6-80A2	4	-	-
Leased in: 4				
B767-300	GE CF6-80C2B6F	4	-	-
Leased in: 2				
B767-300	GE CF6-80C2B6	5	-	-
Leased in: 3				
B737-200	P&W JT8D-15A	3	-	-
Leased in: 3 Leased out: 1				
B737-300	CFM56-3C1	17	1	-
Leased in: 12				
B737-300	CFM56-3B2	1	-	-
Leased in: 1				
A320		-	20 (2003-06)	10
ATR-72-500	P&W PW127F	9	-	-
Leased in: 8				
Saab 340A	GE CT7-5A2	15	-	-
Raytheon Beech 1900D		15	2	-
Leased in: 1				
Fairchild Metros	Garrett TPE331-11U-611	9	-	-
Leased in: 4				
Embraer 110	PW PT6A-34	10	-	-
Air Nippon				
B737-500	CFM56-3C1	22	-	-
B737-400	CFM56-3C1	2	-	-
A320-200	CFM56-5A1	9	-	-
Leased in: 9 (ANA)				
DHC-8-Q300		2	-	-
YS-11	RR Dart 543-10/10K	6	-	-
Leased in: 6 ANA				
Air Niugini (Papua New Guinea)				
B767-300		1	-	-
Leased in: 1 AWAS				
F28-4000	RR RB183-15H	3	-	-
F28-1000	RR RB183-15	3	-	-
DHC-8-200B	P&W PW123D	1	-	-
Airnorth (Australia)				
Emb 120ERJ		4	-	-
Fairchild Metro 23		4	-	-
Cessna 400 Series		11	-	-
Cessna 208B		1	-	-
Air Pacific (Fiji)				
B747-200	RR RB211-524D	1	-	-
Leased in: Qantas				
B767-300ER	GE CF-6-80C2B6	1	-	-
Leased in: Mukai Kosan Company				
B737-700	CFM56-7B24	1	-	-
B737-800	CFM56-7B24	2	-	-
Air Philippines				
B737-200	P&W JT8D-7B/-9A/-17	10	-	-
Leased in: 4				
Air Rarotonga (Cook Islands)				
EMB110	PWC PT6A-34	3	-	-
Leased in: 2				
Air Tahiti Nui (French Polynesia)				
A340		3	-	-
Leased in: 2				
ATR72-202	PWC PW124B	4	1	-
ATR42-500	PWC PW127E	4	-	-
Do 228-212	Gar. TPE331-5A-2521	2	-	-
Air Vanuatu				
B737-300	CFM56-3B1	1	-	-
Leased in: Qantas				
Saab 2000		1	-	-
Leased in: Saab				
All Nippon Airways				
B747-400	GECF6-80C2B1F	23	-	-
B747-200LR	GE CF6-50E2	2	-	-
B747SR	GE CF6-45A2	9	-	-
B777-200/ER	P&W PW4090/4074	16	3	-
B777-300/ER	P&W PW4090	5	16 (2004-2006)	-
B767-300	GE CF6-80C2B2F	43	12 (2002-2006)	-
B767-200	CF6-80A	9	-	-
A321-100	V2530-A5	7	-	-
A320-200	CFM56-5A1	25	3	-
Leased out: 9 Air Nippon				
A340		-	5	-
ANA has 66 aircraft Leased in				
Alliance Air (India)				
B737-200	P&W JT8D-17A	7	-	-
Leased in: 7 from Air India				
Alliance Airlines (Australia, formerly Flight West Airlines)				
Fokker 100		2	-	-
EMB 120		2	-	-
Archana Airways (India)				
LET L-410 UVP-E	Walter M601E-21	4	1	-
Fairchild Dornier 328-100		-	2	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Asiana Airlines				
B747-400	GE CF6-80C2B1F	2	-	-
B747-400 Combis	GE CF6-80C2B1F	6	-	-
B747-400F	GE CF6-80C2B1F	5	1	-
B767-300/ER	GE CF6-80C2B2F	12	-	-
B767-300F	GE CF6-80C2B6F	1	-	-
B777-200	PW 4090	4	6	-
B737-400	CFM56-3C1	22	-	-
B737-500	CFM56-3C1	3	-	-
A321-100/200	IAE V2530-A5	9	8	-
A330		-	6	-
Asian Spirit (Philippines)				
B737		3	-	-
YS-11A	RR Dart 543-10	4	-	-
LET 410	Walter M601E-21	2	-	1
CASA CN235		2	-	-
Bangkok Airways (Thailand)				
ATR72-200	PWC PW124B/127/F	9	-	-
Leased in: 9				
B717-200		2	1	-
Leased in: 2				
Berjaya Air (Malaysia)				
BN-2 Islander	Lyc IO-540 KIB5	1	-	-
Y-12	PWC PT6A-27	1	-	-
Challenger 601-3R	GE CF34-3A1	1	-	-
DHC-7	PWC PT6A-50	2	-	-
Biman Bangladesh Airlines				
DC 10-30	GE CF6-50C2	4	-	-
A310-300	P&W PW4156A	4	-	-
Leased in: 2				
F28-4000	RR Spey 555-15P	1	-	-
BAe ATP	PWC PW126	2	-	-
Bouraq Indonesia Airlines				
B737-200	P&W JT8D-15	6	-	-
Leased in:				
HS 748-2A	RR Dart 534-2	3	-	-
HS 748-2B	RR Dart 536-2	1	-	-
IPTN 212-100		3	-	-
IPTN N250		-	5	-
Cathay Pacific Airways				
B747-400	RR RB211-524G/H	19	-	-
Leased in: 17				
B747-400F	RR RB211-524G2	5	-	-
Leased in: 1				
B747-200F	RR RB211-524D4	6	-	-
Leased in: 1				
B777-200	RR Trent 800	5	-	-
Leased in: 4				
B777-300	RR Trent800	7	3 (2003-04)	-
Leased in: 7				
A340-600	RR Trent 500	-	3 (2002-03)	-
A340-300	CFM56-5C4	15	1	-
Leased in: 15				
A330-300	RR Trent 772	20	3 (2003-04)	-
Leased in: 18				
Cebu Pacific Air (Philippines)				
DC-9-41	P&W JT8D-9A/7B	10	-	-
Leased in: 10				
China Airlines (Taiwan)				
B747-400	P&W PW4056	13	-	2
Leased in: 5				
B747-400F	GE CF6-80C2B1F/5F	11	4	-
Leased in: 2				
B747-200F	P&W JT9D-7A/7Q/7R4G2/	2	-	-
Leased in: 1				
B737-800	CFM56-7B26	11	-	-
Leased in: 5				
A300-600R	P&W PW4158	12	-	-
Leased in: 5				
A340-300	CFM56-5C4	5	2	1
China Eastern Airlines (Shanghai)				
A340-300	CFM56-5C4	5	5	-
A300-600R	GE CF6-80C2A5	10	-	-
Leased in: 3				
A320-200	CFM 56-5B4	14	20	-
Leased in: 4				
A319		10	-	-
B737-700	1	-	-	
B737-300		6	-	-
Leased in: 1 SALE				
B737-200		3	-	-
MD-82	P&W JT8D-217A	3	-	-
MD-11	P&W PW4460	3	-	-
MD-11F	P&W PW4460	3	-	-
MD-90		9	-	-
China Northern Airlines (Shenyang)				
MD-90	IAE V-2525-D5	13	-	-
MD-82	P&W JT8D-217A/C	23	-	-
A300-600R	P&W PW4158	6	-	-
Leased in: 2 AWAS Leased out 2				
A321		3	7	-
China Northwest Airlines (Xian)				
A300-600R	GE CF6-80C2A5	3	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Leased in: 1 GECAS				
A310-200	P&W JT9D-7R4E1	3	-	-
Leased in: 3				
A320	CFM56-5B4	13	-	-
Leased in: 2				
BAe 146-100	Lyc ALF 502R-5	3	-	-
Leased in: 1				
BAe 146-300	Lyc LF507-1H	7	-	-
China Southern Airlines (Guangzhou)				
B747-400F		2	-	-
B777-200A/B	GE90-76BG01	9	-	-
Leased in: 8				
B757-200	RR RB211-535E4	18	-	-
Leased in: 15				
B737-300	CFM56-3C	27	-	-
Leased in: 13				
B737-500	CFM56-3C	12	-	-
Leased in: 7				
A320-200	IAE V2527-A5	20	-	-
Leased in: 10 Leased out: 2				
China Southwest Airlines (Chengdu)				
B757-200	RR RB211-535E4	13	-	-
Leased in: 5 GECAS (3) Leased out: 2				
B737-300	CFM56-3B1/B2	14	-	-
Leased in: 5				
B737-600	CFM56	3	-	-
B737-800	CFM56-7	6	-	-
A340-300		6	-	-
Leased in: 3				
China United Airlines (Beijing)				
B737-300	CFM56-3B1	8	-	-
B767-300		1	-	-
Tu-154M	Sol D-30KU-154	16	-	-
Il-76M		14	-	-
Canadair CRJ200	GE CF34-A-1A/3A	5	-	-
China Xinhua Airlines (Beijing)				
B737-300	CFM56-3B1/2	6	-	-
Leased in: 1 Boullioun				
B737-400	CFM56-3	3	-	-
Leased in: 3 Bouillioun				
China Xinjiang Airlines (Urumqi)				
B737-300	CFM56-3	2	-	-
B737-700	CFM-56	4	-	-
B757-200	RB211-535-E4	9	-	-
Leased in: 3				
IL-86	Hk-86	3	-	-
ATR-72		5	-	-
China Yunnan Airlines (Kunming)				
B737-300	CFM56-3B1/3C1	13	-	-
Leased in: 4 AWAS (3), GECAS (1)				
B737-700	CFM 56	4	-	-
B767-300ER	RR RB524-211	3	-	-
Canadair CRJ200		4	2 (2002)	-
Dragonair (Hong Kong)				
A320-200	IAE V2500-A1	8	3 (2004-05)	-
Leased in: 5 ILFC				
A321	IAE V2500	4	2 (2003)	-
Leased in: 4				
A330-300	RR Trent 772	7	2 (2002)	-
Leased in: 4 ILFC				
B747-300F	PW JT9D-7R4G2	2	1 (2002)	-
Druk-Air (Bhutan)				
BAe 146-100	Lyc ALF502R-5	2	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Eagle Airlines (New Zealand)				
EMB-110P1	PWC PT6A-34	9	-	-
Fairchild Metro III	Garrett TPE331-11	6	-	-
Elbee Airlines (India)				
F27-200	RR Dart 552-7R	2	-	-
EVA Air (Taiwan)				
B747-400	GE CF6-80C2B1F	5	-	-
B747-400 Combi	GE CF6-80C281F	10	-	-
Leased in: 12 of the 15 B747s				
B747-400F	GE CF6-80C2B1F	4	-	-
B767-300ER	GE CF6-80C2B6F	4	-	-
Leased in: 4				
B767-200	GE CF6-80C2B2F	4	-	-
B757	PW2037	2	-	-
MD-11	GE CF6-80C2D1F	3	-	-
Leased in: 1				
MD-11F	GE CF6-80C2D1F	9	-	-
Leased in: 2				
MD-90	V2500-D5	1	-	-
B777-200LR		-	3 (2005-08)	-
B777-300LR		-	4 (2005-08)	8 (-200/-300)
A330-200		-	10 (2003-05)	-
Everest Air (Nepal)				
Fairchild Dornier 228-100	Gar TPE331-5-252D	3	-	-
Leased in: 1 Danisk, 2 Adler Leasing				
Far Eastern Air Transport (Taiwan)				
B757-200	P&W PW2037	7	1	-
Leased in: 1 ILFC				
MD-82/83	P&W JT8D-217/219	9	-	-
Leased in: 4				

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Freedom Air International (New Zealand)				
B737-300	CFM56-3C1	4	-	-
Leased in: 4				
Garuda Indonesia				
B747-400	GE CF6-80-C2B1F	3	-	-
Leased in: 1 ILFC (To Mar 2005)				
B747-200	P&W JT7D-7Q	4	-	-
B737-300/400/500	CFM56-3C1	26	-	-
Leased in: 7				
B737 NG		-	18	-
B777		-	6	-
DC10-30	GE CF6-50C	5	-	-
A330-300	RR Trent 700	6	-	3
Leased in: 6				

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Hainan Airlines (Haikou, China)				
B737-300	CFM56-3C1	5	-	-
Leased in: 3 ILFC, 2 Communication Bank of China				
B737-400	CFM56-3C1	7	-	-
Leased in: ILFC				
B737-800	CFM56-7	11	-	-
Leased in:				
Fairchild 328JETS	P&W	19	20	-
Learjet 60	P&W PW305A	1	-	-
Beechjet 400		1	-	-
Raytheon Hawker 800XP		8	-	-
Gulfstream 200		1	2 (2002-2003)	-
Indian Airlines				
A300B4/B2	GE CF6-50C2/C	9	-	-
Leased in: 2				
A320-200	IAE V2500-AI	36	-	-
Leased in: 6				
B737-200	P&W JT8D-17A	11	-	-
Dornier 228-200		2	-	-
Islands Nationair (Papua New Guinea)				
DHC-6-300 Twin Otter	PWC PT6A-27	3	-	-
EMB-110	PWC PT6A-34	3	-	-
J-AIR (Japan)				
BAe Jetstream Super 31	Gar. TPE331-12UHR	3	-	-
Leased in:				
Canadair RJ 200		2	4 (2002-2003)	-
Jagson Airlines (India)				
Fairchild Dornier 228-201	Gar. TPE331-5-252D	3	-	-
JALways				
B747-300	JT9D-7R4G2	1	-	-
Leased in: 1, Japan Airlines				
DC10-40	P&W JT9D-59A	4	-	-
Leased in: 4 Japan Airlines				
Japan Air Commuter				
YS-11A-500	RR Dart 542-10J/K	14	-	-
Leased in: JAS				
Saab 340B	GE CT7-9B	11	-	-
Japan Air System				
B777-200	P&W PW4074	7	-	-
Leased in: 3				
A300B4-2C	GE CF6-50C2R	8	-	-
Leased in: 3				
A300B2K-3C	GE CF6-50C2R	9	-	-
Leased in: 2				
A300-600R	P&W PW4158	19	-	-
Leased in: 7				

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
MD-90-30	IAE V2525-D5	16	-	-
Leased in: 3				
MD-81	P&W JT8D-217A/C	18	-	-
Leased in: 11				
MD-87	P&W JT8D-217/AC	8	-	-
Leased in: 2				
YS-11	RR Dart Mk542-10J/K	12	-	-
Leased out: 12				
Japan Airlines				
B747-400	GE CF6-80C2B1F	42	3 (2002-2003)	-
Leased in: 15				
B747 Classics	P&W JT9D	32	-	-
Leased out: 6 JAA, JALways				
B747 Freighters	P&W JT9D	7		
B767-300	P&W JT9D-7R4D	13	-	-
Leased in: 5 Leased out: 1 JAA				
B767-300	GE CF6-80C2B4F	9	-	-
Leased in: 4 Leased out: 2 JAA				
B767-300ER	CF6-80C2B7F	3	5 (2002-2004)	-
B767-200	P&W JT9D-7R4D	3	-	-
B777-200	P&W PW4077	5	5	-
Leased in: 3				
B777-200ER	GE90-94B	-	11 (2002-2006)	-
B777-300	P&W PW4090	5	-	-
B777-300ER	GE90-115B	-	8 (2004-2008)	-
B737-400	CFM56-3C-1	8	-	-
Leased out: 7 JEX				
MD-11	P&W PW4460	9	-	-
DC 10-40	P&W JT9D-59A	11	-	-
CRJ-200		-	4 (2002-2003)	-
Japan Asia Airways				
B747-300	P&W JT9D-7R4G2	1	-	-
Leased in: Japan Airlines				
B747-200	P&W JT9D-7A/7Q	3	-	-
Leased in: 3, Japan Airlines				
B767-300	P&W JT9D-59A	1	-	-
Leased in: Japan Airlines				
B767-300	CF6-80C2B4F	2	-	-
Leased in: 2, Japan Airlines				
Japan Express (JEX)				
B737-400	CFM 56-3C1	7	-	-
Leased in: 7, Japan Airlines				
Japan TransOcean Air				
B737-400	CFM56-3C1	15	-	-
Leased in:				
Jet Airways (India)				
B737-400	CFM56-3C1/3B1	8	-	-
Leased in: 4				
B737-700	CFM56-7B22	11	1	-
Leased in: 4				
B737-800	CFM56-7B24	12	1	-
Leased in: 2				
B737-900		-	1	-
EMB 175		-	10	10
ATR 72-500	PWC PW127F	8	-	-
Leased in: 8				
Korean Air				
B747-400	P&W PW4056	27	-	-
B747-400F	P&W PW4056	8	5 (2002-2004)	-
B747-300	P&W JT9D-7R4G2	1	-	-
B747-300F	P&W JT9D-7R4	1	-	-
B747-200F	P&W JT9D-7A/Q/7R4G2	5	-	-
B777-200	P&W PW4090	7	2 (2002-03)	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B777-300	P&W PW4090	4	-	-
B737-800	CFM56-7B24	14	-	2
B737-900	CFM56-7B24	6	9 (2003-2004)	1
A330-300	P&W PW4168/A	14	2 (2002-2003)	-
A330-200	P&W PW4168	3	-	3
A300-600/R	P&W PW4158	14	-	-
Leased in: 3				
MD-11F	P&W PW4460	4	-	-
MD-82/83	P&W JT8D-217A/C/219	3	-	-
Fokker 100	RR Tay 650-15	10	-	-
Leased in: 2				

Lao Aviation

An 24RV	Ivchenko AI-24	1	-	-
ATR72-200	P&W PW127	2	-	-
Y-7-100C3	WJ5A-1	3	-	-
Leased in: XAC				

Malaysia Airlines

B747-400	P&W PW4056/GE CF6-80C2	19	3	-
Leased in: 7				
B747-300	P&W JT9D-7R4G2	1	-	-
(Parked long term)				
B747-200F	RR RB211-524D4	2	-	-
B777-200	RR Trent 890B	15	2	-
Leased in: 13				
B737-400	CFM56-3C1	39	-	-
Leased in: 4				
B737-700BBJ	CFM56-7B26	1	-	-
A330-300	P&W PW4168	9	-	-
DC10-30	CF6-50C2	1	-	-
(Parked long-term)				
Fokker 50	PWC PW125B	10	-	-
DHC	PT6A-27	6	-	-
Leased in: 1				

Mandala Airlines (Indonesia)

B737-200	P&W JT8D-15/17	7	-	-
Leased in: 7. GECAS (3), PT. Pann (2), Sub lease from Transmile (2)				

Mandarin Airlines

B737-800	CFM56-7B26	3	-	-
Saab 340	GE CT7-9B	2	-	-
Fokker 50	P&W PW125B	7	-	-
Fokker 100	RR Tay 65-15	2	-	-
Fairchild Dornier 228-212	Gar TPE331-5A-252D	4	-	-

Merpati Nusantara Airlines (Indonesia)

B737-200	P&W JT8D-15	7	-	-
Fokker 100	RR Tay 650-15	3	-	-
F28-4000	RR Spey 555-15H	9	-	-
F27-500	RR Dart 532/6-7	6	-	-
CASA 212	Gar. TPE 331-10-511	4	-	-
Twin Otters		6	-	-

Mount Cook Airline (New Zealand)

ATR 72-500	PWC PW127	7	1	-
Leased in: 7, Air New Zealand				

MIAT Mongolian Airlines

B727-200	P&W JT8D-9A/17	2	-	-
A310		1	-	-
Y-12	PWC PT6-27	5	-	-
An-24	Ivchenko AI-24	11	-	-
An-26	Ivchenko AI-24BT	3	-	-
An-30	Ivchenko AI-24BT	1	-	-
Mi-8	TVD-117A	3	-	-

Myanmar Airways

F28-4000	RR Spey 555-15P	2	-	-
F28-1000	RR Spey 555-15	1	-	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
F27-600	RR Dart 532-7	3	-	-
F27-400	RR Dart 532-7	1	-	-
F27-100	RR Dart 514-7	1	-	-

Necon Air (Nepal)

HS748	RR Dart 533/6-2	3	-	-
ATR-42		1	-	-

National Jet (Australia)

BAe RJ70		2	-	-
DHC 8 100/200/300		5	-	-
BAe Jetstream J32		1	-	-

NEPC Airlines (India)

F27-500	RR Dart 552-7R	8	-	4
Leased in: 2				

Nippon Cargo Airlines (Japan)

B747-200F	GE CF6-50E2	7	-	-
Leased in: 2				
B747-100SRF	GE CF6-50E2	1	-	-

Pacific Airlines (Vietnam)

A310		1	-	-
A321		2	-	-

Pakistan International Airlines

B747-200	P&W JT9D-7A	6	-	-
B747-200 Combi	GE CF6-50E2	2	-	-
B747-300	RR RB211-524C2	5	-	-
Leased in: 5 Cathay Pacific				
B737-300	CFM56-3B1	7	-	-
A300-B4	GE CF6-50C2	9	-	-
Leased in: 2				
A310-300	GE CF6-80C2A8	6	-	-
F27-200/400	RR Dart 532-7	12	-	-
DHC-6-300	PWC PT6A-27	2	-	-

Pelangi Air (Malaysia)

Fokker 50	PWC PW125B	2	-	-
Fairchild Dornier 228-202	Gar. TPE331-5-252	3	-	-

Pelita Air Service (Indonesia)

Fokker 100	RR Tay 650-15	1	-	-
Leased in: GECAS				
Fokker 70	RR Tay 620-15	1	-	-
F28-4000	RR Spey 555-15P	4	-	-
Leased in: 1 GECAS				
DHC-7-103	PWC PT6A-50	6	-	-
CASA C212-100	Garrett TPE331-511C	4	-	-
BAe 146-200	Lyc ALF502-R5	1	-	-
CASA 212-200		8	-	-

Philippine Airlines

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B747-400	GE CF6-80C2B1F	4	-	-
Leased in: 4				
B737-300	CFM56-3B1/3B2/3C1	7	-	-
Leased in: 6				
B737-400	CFM56-3B1/3B2/3C1	3	-	-
Leased in: 3				
A340-300	CFM56-5C	4	-	-
Leased in: 4				
A330-300	CF6-80E1A2	8	-	-
Leased in: 8				
A320-200	CFM56-5B4/P	3	-	-
Leased in: 3				

Polynesian Airlines (Western Samoa)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B737-300	CFM56-3C1	1	-	-
B737-800	CFM56-7B	1	1	-
DHC-6-300	PWC PT6A-27	2	-	-
BN-2A Islander	Lyc O-540-E4C5	1	-	-

Qantas Airways

(including subsidiaries Qantas Link, Eastern Australia Airlines, Southern Australia Airlines & Qantas New Zealand)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B747-400	RR RB211-524G	22	-	-
Leased in: 1 (British Airways)				
B747-400ER	CF6-80C2B5F	2	6 (2003-2006)	-
B747-300	RR RB211-524D4U	6	-	-
B747-200	RR RB211-524D4U	2	-	-
B767-300/ER	RR211-524H/GE CF6-80C2B6	29	-	-
Leased in: 3				
B737-300	CFM56-3C1	17	-	-
B737-400	CFM56-3C1	22	-	-
Leased in:				
B737-800	CFM56	15	4	-
B717-200	BRW715	14	-	-
A380	RR Trent 900	-	12 (2006-2011)	-
A330-200	CF6-80E1	-	7 (2002-2005)	-
A330-300	CF6-80E1	-	6 (2002-2005)	-
BAe146-100	ALF502R-5	6	-	-
BAe146-200	ALF502R-5	9	-	-
BAe146-300	ALF507R-5	2	-	-
DHC-8-100	PW120A	18	-	-
DHC-8-200	PW123	5	-	-
DHC-8-300	PW150	9	-	-

Regional Express, Australia (REX)

(formerly Hazelton and Kendell Airlines)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
Saab 340	GE CT7	21	-	-
Fairchild Metro 23s	TPE 331-12	7	-	-

Royal Brunei Airlines

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B757-200ER	RR RB211-535-E4	2	-	-
B767-300ER	P&W PW4056	6	-	-
B767-300ER	GE CF6-80C2	2	-	-
Leased in:				
A319	V2524-A5	-	2	-

Royal Nepal Airlines

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B757-200/C	RR RB211-535E4	2	-	-
DHC-6-300	PWC PT6A-27	8	-	-
Pilatus PC6-B2H4	PWC PT6A-27	1	-	-

Ryukyu Air Commuter (Japan)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
DHC-8-100		2	2	-
DHC-6-300	PWC PT6A-27	4	-	-
Leased in: 4 Japan TransOcean				

Sabang Merauke Raya Air Charter (Indonesia)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
C-212-100	Garrett TPE331-5-251C	2	-	-
F-27-200	RR Dart-7 MK532-7	1	-	-
Leased in: 1				
Piper PA31-350	Lyc TIO-540-J2BD	1	-	-

Sahara India Airlines

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B737-200	P&W JT8D-15	4	1	-
Leased in: 2 PLM Int'l				
B737-400	CFM56-3C-1	2	2	-
Leased in: ILFC				

Shaheen Air (Pakistan)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B737-400		1	-	-
Leased in:				

Shandong Airlines (China)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B737-300	CFM56-3B1/3B2	9	-	-
Leased in: 2				
Saab 340A		6	-	-
Leased in:				
Canadair RJ200		10	-	-
Canadair RJ700		-	10	-
Cessna Caravan		5	-	40
Bombardier Challenger 604		1	3 (2002-03)	-

Shanghai Airlines (China)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B757-200	P&W PW2037	7	-	-
B767-300	P&W PW4056	4	-	-
B737-700	CFM56-381	6	-	-
Leased in: 3				
B737-800		3	-	-
Canadair RJ200		3	-	-
Hawker 800		1	-	-

Shenzhen Airlines (Chengdu)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B737-300	CFM56-3B1/2/C1	6	-	-
Leased in: 6 China Xinjiang (2), Fluggesellscaft (2), AWAS (1), Metlife Capital Corp (1)				
B737-700		8	-	-

Sichuan Airlines (China)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
A320-200	IAE V2527-A5	5	-	-
Leased in:				
A321	IAE V2500	2	-	-
EMB 145		5	-	-
Y-7-100	WJ5A-1	5	-	-

SilkAir (Singapore)

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
A320-200	V2527-A5	5	1	9
(A320/A319)				
A319-100	V2524-A5	3	1 (2002)	-

Singapore Airlines

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
B747-400	P&W PW4056	39	-	9
B747-400F	P&W PW4056	11	6	-
B777-200	RR Trent 884/892	22	15	23
B777-200ER	RR Trent 892	10	3	-
B777-300	RR Trent 892	7	1	-

Airline/Aircraft	Engines	In Service Aug 31, 02	On Order	Options
A380-100	RR Trent 900	-	10	15
A340-300E	CFM56-5C4	6	2	-
A340-500	RR Trent 553	-	5	5
A310-300	P&W PW4152	10	-	-
Skippers Aviation (Australia)				
DHC-8-100		2	-	-
Emb 120ERJ		1	-	-
Fairchild Metro 23		7	-	-
Cessna 400 Series		8	-	-
Skymark Airlines (Japan)				
B767-300ER		2	1	-
Skyline NEPC Airlines (India)				
B737-200	P&W JT8D-17/17A	1	-	-
Skywest Airlines (Australia)				
Fokker 50	PWC PW125B	5	-	-
Solomon Airlines				
DHC-6-310	PWC PT6A-27/34	2	-	-
DHC-5-310	PWC PT6A-27	1	-	-
BN-2A-8/9 Islander	Lyc O-540-E4C5	2	-	-
Srilankan Airlines				
A340-300	CFM56-5C2	3	-	-
Leased in: 1				
A330		4	3	-
A320-231	IAE V2500-A1	2	-	-
Sun Air (Fiji)				
DHC-6-210	PWC PT6A-20	2	-	-
DHC-6-310	PWC PT6A-27	1	-	1
BN-2A Islander	Lyc O-540-E4C5	4	-	-
BE 65	Lyc 10-720	1	-	-
Sunstate Airlines (Queensland, Australia)				
Shorts 360	PWC PT6A-65R	3	-	-
DHC-8-100/200/300	PWC PW120A	7	1	-
Thai Airways International				
B747-400	GE CF6-80C2B1F	16	-	-
Leased in: 2				
B747-300	GE CF6-80C2B1	2	-	-
B777-200	RR Trent 870	8	-	-
Leased in: 4				
B777-300	RR Trent	6	-	-
B727-400		1	-	-
B737-400	CFM56-3C1	10	-	-
Leased in: 4				
MD-11	GE CF6-80C2D1F	4	-	-
A330-300	P&W PW4164/4167/4168A	12	-	-
Leased in: 3				
A300-600	GE CF6'P&W4158	21	-	-
Leased in: 5				
ATR72	PWC PW124	2	-	-
TransAsia Airways (Taiwan)				
A320	IAE V2500-A1	3	-	-
A321-131	IAE V2500-A5	6	-	-
ATR 72	PWC PW124B	10	-	-
Transmile Air Services (Malaysia)				
B737-200	P&W JT8D-9A	2	-	-
Leased in: Leased out: 2				
B737-200F	P&W JT8D-9A	5	-	-
Leased in: 1 Leased out:				
B727-200	P&W JT8D-15	1	-	-
Cessna Grand Caravan I	PWC PT6A-114	2	-	-
Uni Air				
MD-90-30	IAE V2525-D5	14	-	-
Leased in: 7				
DHC8-100		4	-	-
DHC8-200		1	-	-
DHC8-311	PW 123	14	1	-
Fairchild Dornier 228-212	Garrett TPE 331-5A	2	-	-
BN-2A-26	AVCO Lyc 0-540	3	-	-
U-Land Airlines				
MD-82	P&W JT8D-217C	3	-	-
Leased out: 1 Vietnam's Pacific Airlines				
Vanair (Vanuatu)				
DHC-6-310	PWC PT6A-27	5	-	-
BN-2A Islander	Lyc O-540-4C5	2	-	-
Vietnam Airlines				
B777-200ER		-	4 (2003-2005)	-
B767-300ER	CF 6	5	-	-
Leased in: 4				
A320-200	CFM56-5B4	10	2	-
Leased in: 10				
A321		2	-	-
Fokker 70	Tay MK 620-15	2	-	-
ATR 72-202	PWC PW124	7	-	-
Leased in: 2				
Virgin Blue (Australia)				
B737-300		1	-	-
B737-400		4	-	-
B737-700		6	-	-
B737-800		5	2	-
Wuhan Airlines (China)				
B737-300	CFM56	6	-	-
B737-800		2	-	-
Leased in: 3 ILFC				
Y-7-100	WJ5A-1	4	-	-
Y-5	HS 5	2	-	-
Xiamen Airlines (China)				
B757-200	RR RB211-535E4	7	-	-
B737-200	P&W JT8D-17A	2	-	-
Leased in: 2 GECAS				
B737-300		4	-	-
B737-500	CFM56-3C1	6	-	-
Leased in: 4 ILFC (2), Braathens (2)				
B737-700	P&W JT8D	6	4	-
Zhejiang Airlines (China)				
A320-200	CFM 56-5B4-2	5	-	-
Leased in: 2				
A319		3	-	-
DHC Dash-8-300	PWC PW127	3	-	-
Leased in: 1 AGES				

June 2002 and Second Quarter Statistics

PASSENGER TRAFFIC GROWTH STALLS

Compiled and presented by Kris Lim of the Research and Statistics Department of the Association of Asia Pacific Airlines Secretariat

The Association of Asia Pacific Airlines (AAPA) member carriers' international passenger traffic, measured in revenue passenger kilometres (RPKs), grew only 0.7% year-on-year in June after showing encouraging improvement in May. The number of passengers carried (PAX) registered a marginal decline of 0.03%. Capacity, however, rose by 1.4% from a year earlier, causing the load factor to fall 0.5 percentage point, to 73.5%.

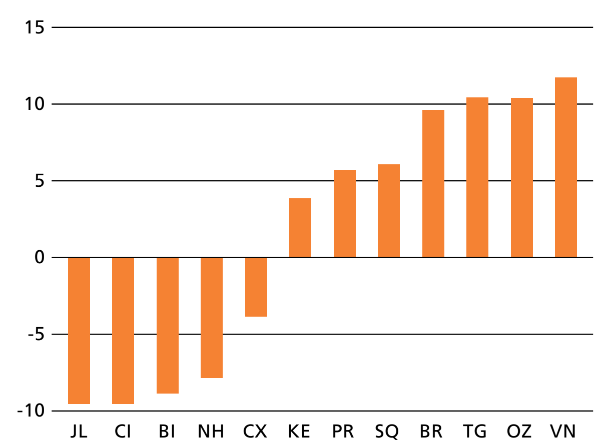
All carriers, except EVA Air, Korean Air and Asiana Airlines, reported either a slower growth or steeper decline in traffic than May 2002. Vietnam Airlines (11.8%) and Thai Airways International (10.4%) maintained a double-digit growth, albeit at a lower scale. Benefiting from the World Cup 2002, Korean Air (4.0%) and Asiana Airlines (10.4%) reported a higher growth of RPK than May. EVA Air also reported a higher growth, from 7.8% to 9.6%. On the other hand, China Airlines' RPK (-9.5%) and PAX (-21.9%) fell sharply.

Korean Air and Asiana Airlines boosted capacity by 13.2% and 25.0% respectively in June in anticipation of a traffic surge due to the World Cup. However, the traffic failed to match the capacity increase, resulting in a decline in load factor of

China Airlines: passenger numbers declined in June

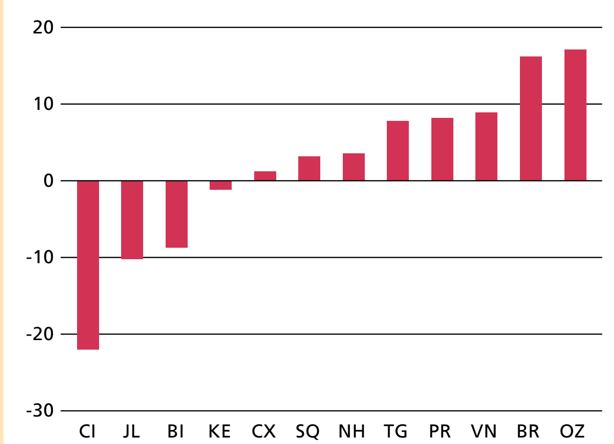
RPK GROWTH BY CARRIER

Percentage (Jun 02 vs Jun 01)



PAX GROWTH BY CARRIER

Percentage (Jun 02 vs Jun 01)



6.0 percentage points and 9.2 percentage points respectively. Similarly, Japan Airlines and All Nippon Airways also experienced a decline in load factor, although both had operated with less capacity in contrast to the Korean carriers. Among the six carriers with an improvement in load factor, Philippine Airlines emerged with the best result with a 7.9 percentage points improvement.

Backed by stronger traffic and good capacity management, Philippine Airlines (81.2%) and EVA Air (80.1%) had the best load factor among the member airlines. Singapore Airlines (78.5%) and Cathay Pacific Airways (77.9%) also reported high load factors for June.

CARGO RESULTS

Favourable external demand continued to drive the freight traffic growth of the AAPA members in June. Freight tonne kilometres (FTK) grew 17.3% – the third consecutive month of double-digit expansion. Continued steady demand prompted an increase in capacity, up 5.5%. Load factor was 71.3%, an improvement of 7.3 percentage points from the same month in 2001.

Except for China Airlines and Philippine Airlines, all other carriers enjoyed a robust FTK growth ranging from 10.6% (Japan Airlines) to 40.7% (Royal Brunei Airlines). Load factor of all carriers also improved this month, led by Royal Brunei Airlines (13.2 percentage points) and EVA Air (10.6 percentage points). With increased cargo volume, three carriers recorded a load factor in the 80s – Asiana Airlines (85.2%), EVA Air (82.2%) and China Airlines (81.3%).

RESULTS OF THE SECOND QUARTER 2002 (APRIL – JUNE 2002)

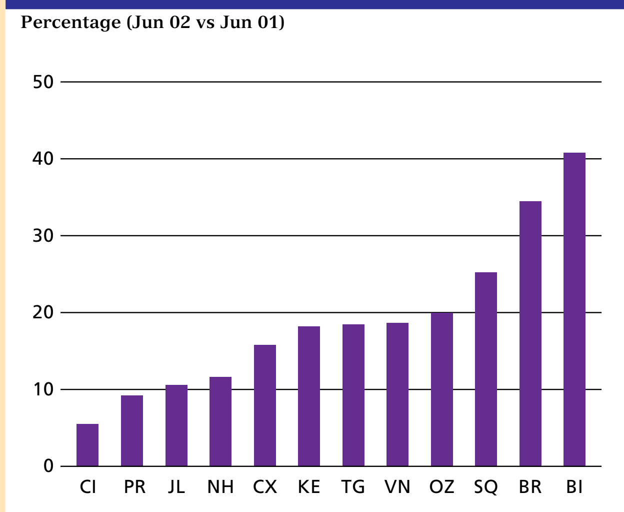
PASSENGER

The AAPA international revenue passenger kilometres (RPK) grew by 1.5% in the second quarter this year after three successive quarterly contractions. During the quarter, the AAPA members flew 670,000 more passengers than the same period in 2001, an increase of 2.6%. Seat capacity was 1.5% below the level of the corresponding quarter last year. Load factor was 73.1%, up 2.2 percentage points.

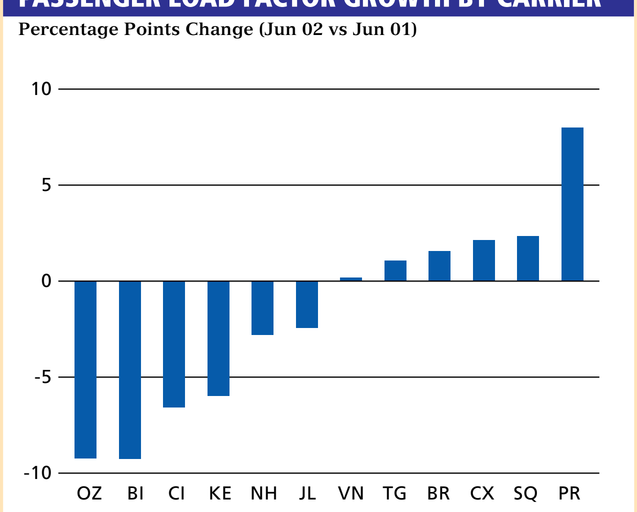
Eight carriers reported RPK growth, with Vietnam Airlines and Thai Airways International enjoying a vigorous expansion of 13.9% and 10.4% respectively. Vietnam Airlines had

Asiana Airlines: record cargo volume in June

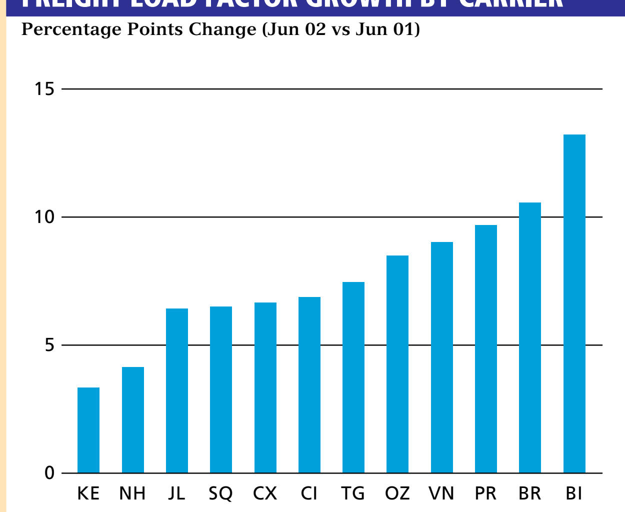
FTK GROWTH BY CARRIER



PASSENGER LOAD FACTOR GROWTH BY CARRIER



FREIGHT LOAD FACTOR GROWTH BY CARRIER



Vietnam Airlines: highest growth in passengers – 13.9% – in June

the distinction of being the only carrier with nine consecutive quarters of double-digit growth. On the other hand, four carriers reported traffic decline – All Nippon Airways (-9.0%), Japan Airlines (-7.5%), Royal Brunei Airlines (-6.1%) and Cathay Pacific Airways (-3.8%).

In terms of load factor, Philippine Airlines had the best improvement this quarter with a gain of 6.8 percentage points, followed by Vietnam Airlines (5.2 percentage points). EVA Air and Philippine Airlines shared the honour of having the highest load factor (80.5%) for the quarter. Cathay Pacific Airways (77.1%), China Airlines (76.0%) and Singapore Airlines (75.5%) posted load factors above the 75% mark.

CARGO

The AAPA members collectively reported a double-digit growth in the second quarter of 2002, the first time since the third quarter of 2000. The consolidated freight tonne kilometres rose 18.4% year-on-year. Capacity also expanded, albeit at a slower pace, at 6.3%. Consequently, load factor for the quarter was up 7.0 percentage points, to 68.8%.

All but one carrier emerged with an FTK growth, with the majority of them in the double-digit range. EVA Air (32.9%), Singapore Airlines (23.5%), Royal Brunei Airlines (21.3%) and Korean Air (20.7%) led the group. Vietnam Airlines' FTKs, however, declined 1.1% for the quarter.

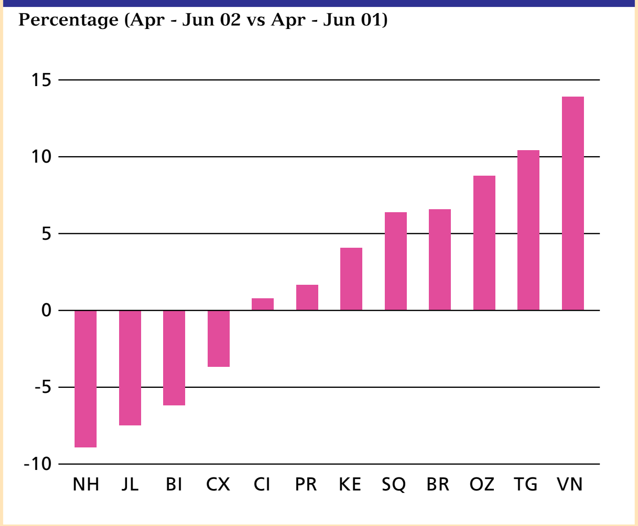
In terms of load factor, all carriers reported improvement, led by Asiana Airlines (12.9 percentage points) and EVA Air (10.7 percentage points). Asiana Airlines (83.1%) posted the highest load factor, followed by EVA Air (77.1%), China Airlines (75.9%), Korean Air (75.9%) and Cathay Pacific Airways (71.0%).

RESULTS OF THE 12 MONTHS TO JUNE 30

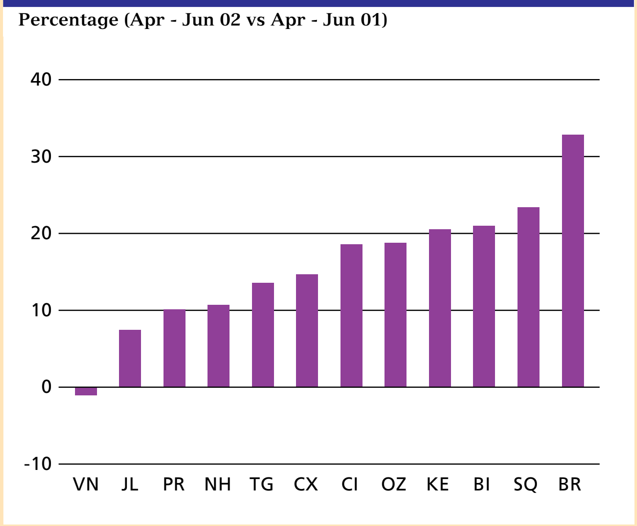
PASSENGER

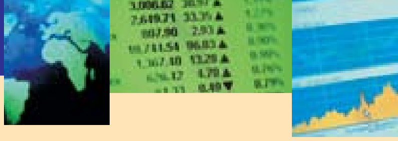
The AAPA consolidated international RPKs and PAX for the twelve-month period ended June 2002 contracted by 5.4%

RPK GROWTH BY CARRIER



FTK GROWTH BY CARRIER





and 2.3%, respectively. Capacity declined by 2.5%, resulting in a load factor of 72.2%, down by 2.2 percentage points.

CARGO

The consolidated international FTKs for the twelve-month period ended June 2002 grew by 0.3%. The capacity was down by 0.5%, resulting in a load factor of 67.0%, up by 0.5 percentage point.

SUMMARY

Passenger traffic declined narrowly (-0.4%) for the first six months of this year, while freight traffic registered robust growth of 11.3%, no doubt spurred by an exports recovery.

The immediate future, however, remains uncertain. There is a fresh round of concern over the health of the U.S. economy, which appears to be stalling and may put a damper on Asian exports. At the same time, Japan's central bank sounded a cautionary note over exports, predicting the pace of recovery to slow, no doubt due to the yen's recent appreciation.

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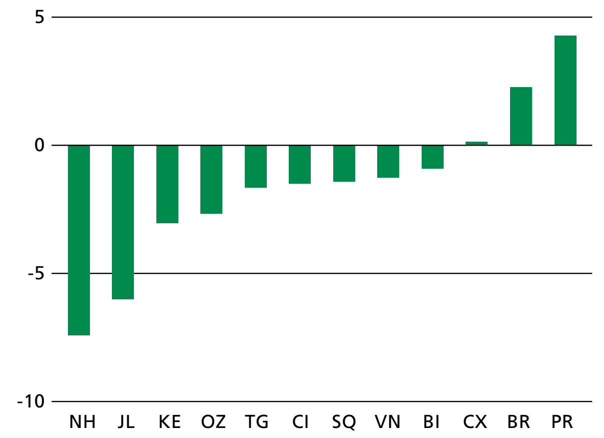
PASSENGER LOAD FACTOR GROWTH BY CARRIER

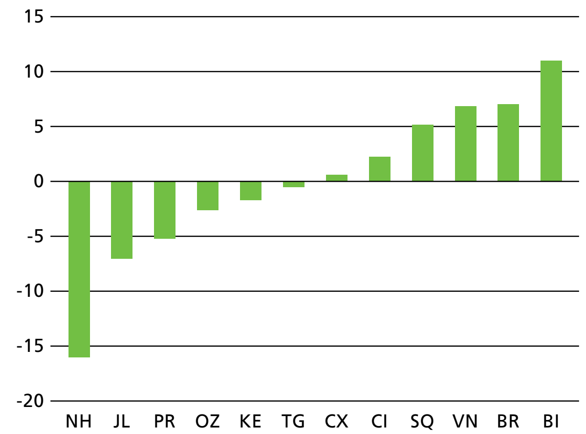
Percentage Points Change (Jul 01 - Jun 02 vs Jul 00 - Jun 01)



EVA Air: turning in strong cargo figures for 2002

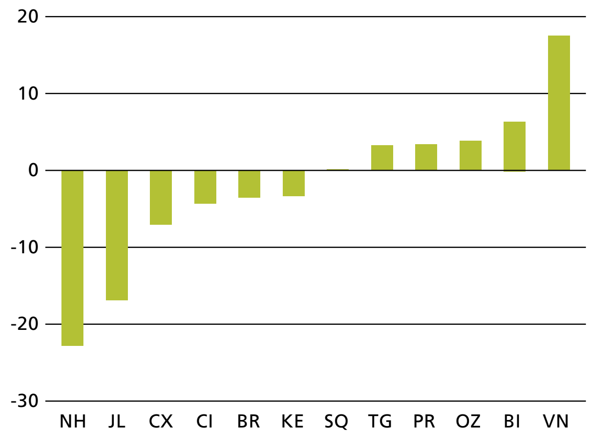
FTK GROWTH BY CARRIER

Percentage (Jul 01 - Jun 02 vs Jul 00 - Jun 01)



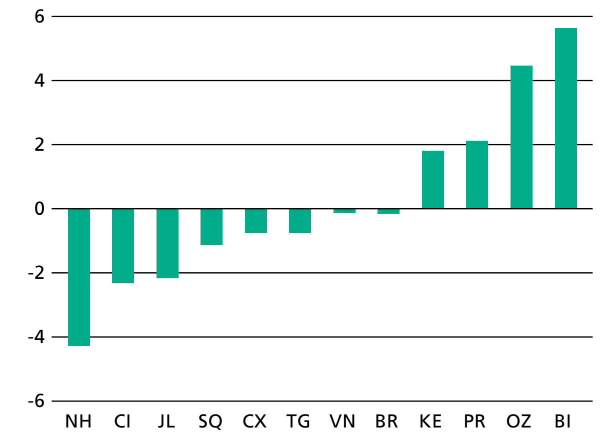
RPK GROWTH BY CARRIER

Percentage (Jul 01 - Jun 02 vs Jul 00 - Jun 01)

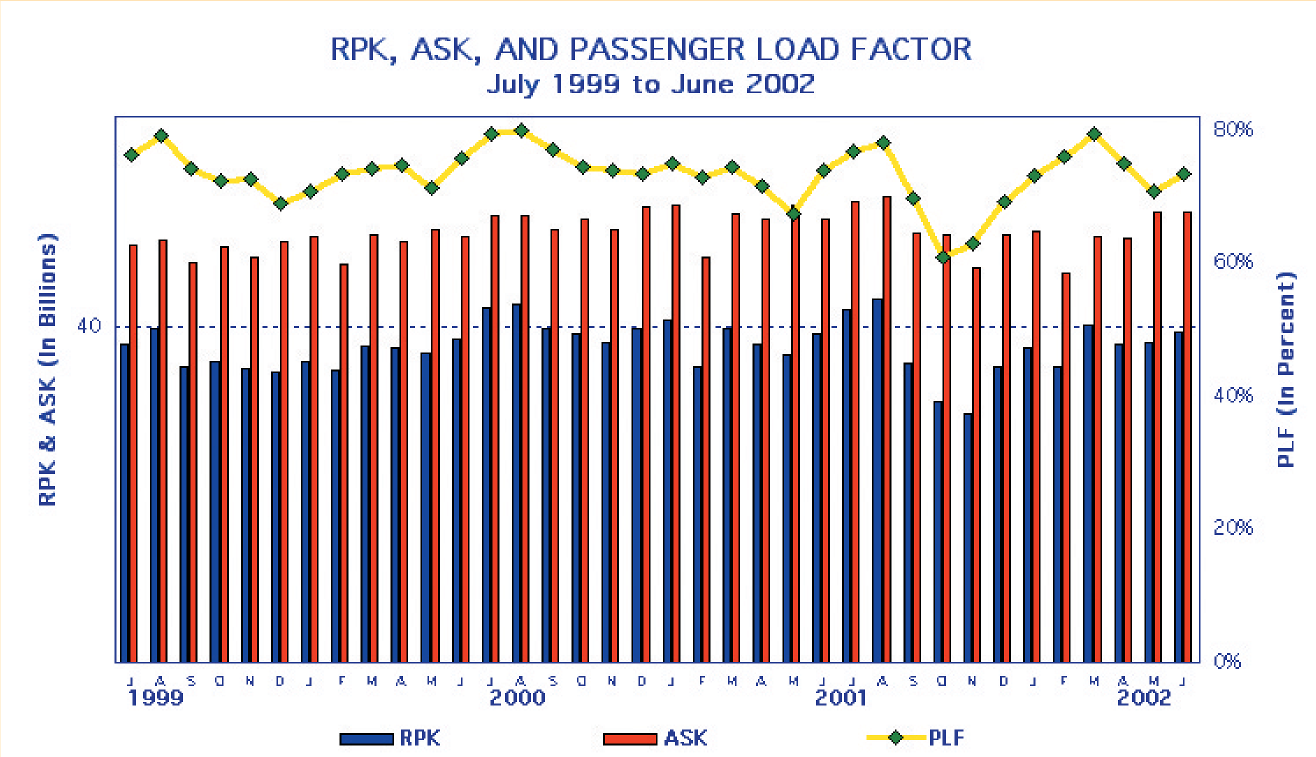


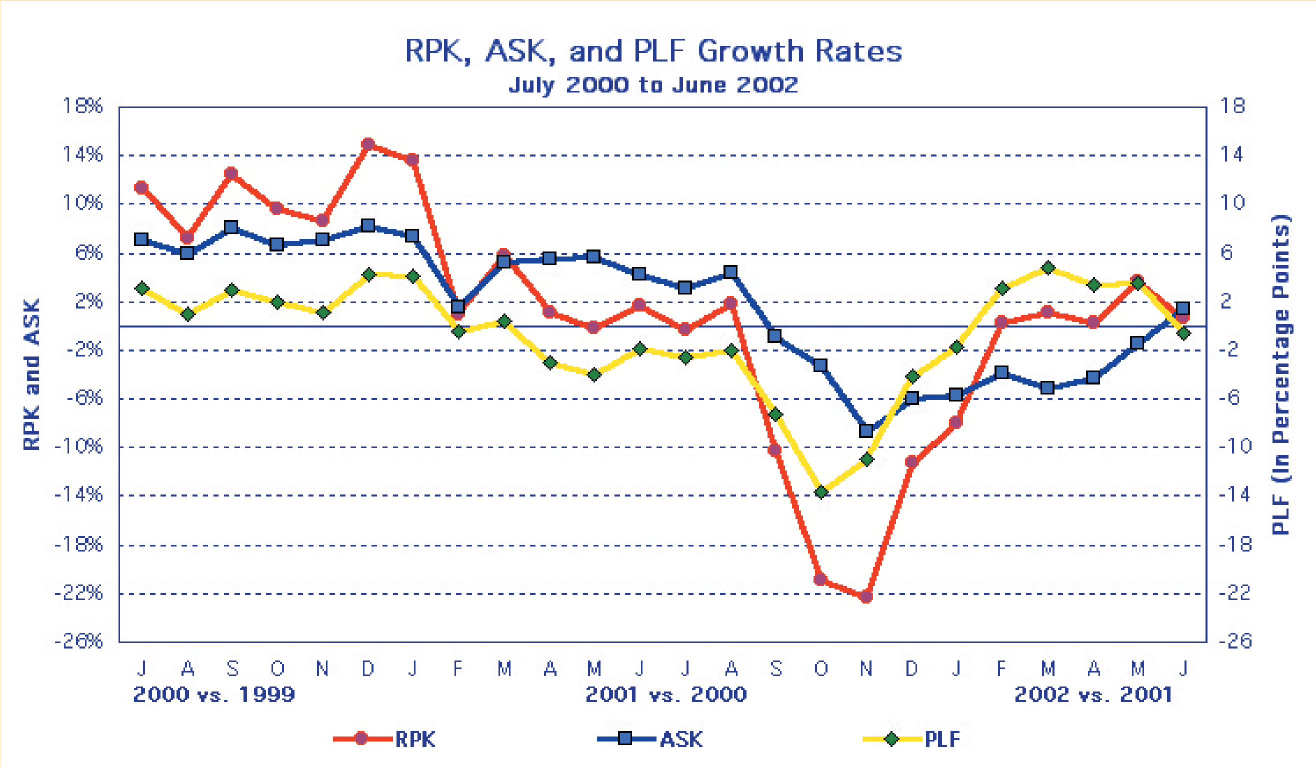
FREIGHT LOAD FACTOR GROWTH BY CARRIER

Percentage Points Change (Jul 01 - Jun 02 vs Jul 00 - Jun 01)

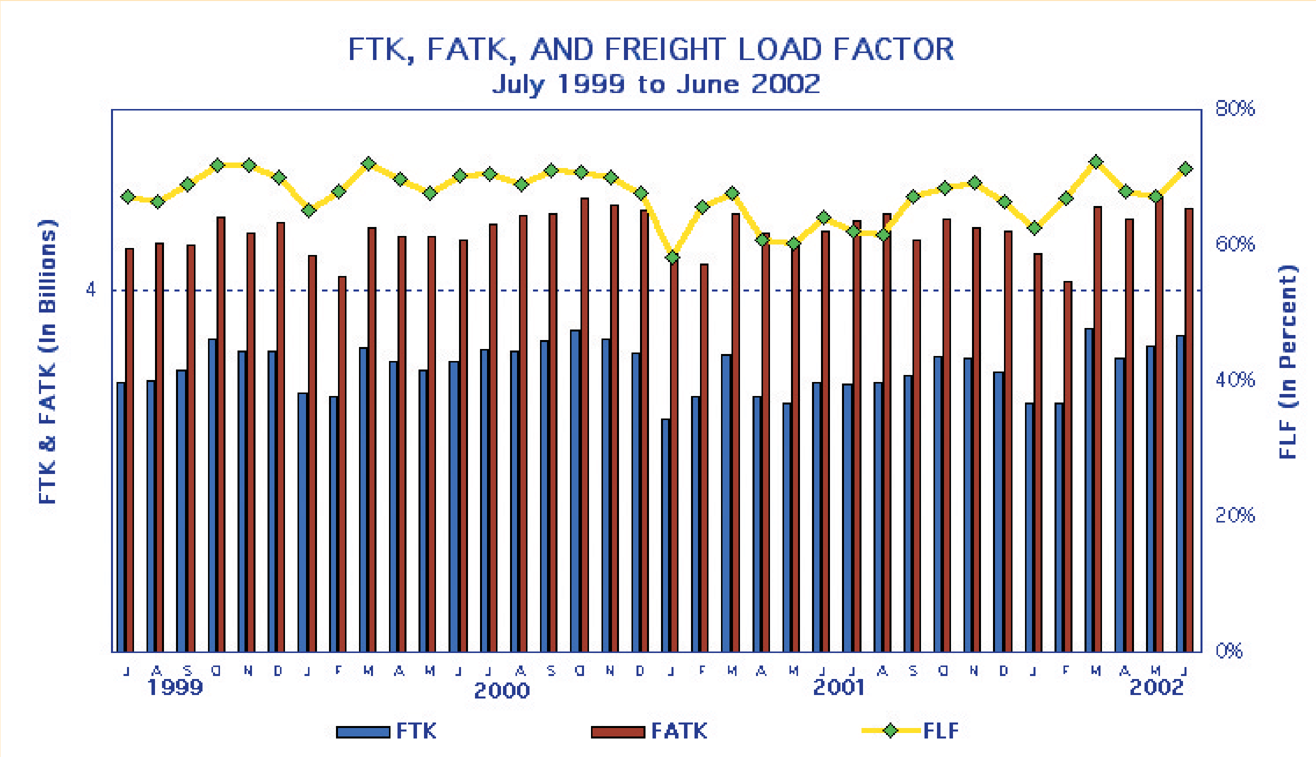


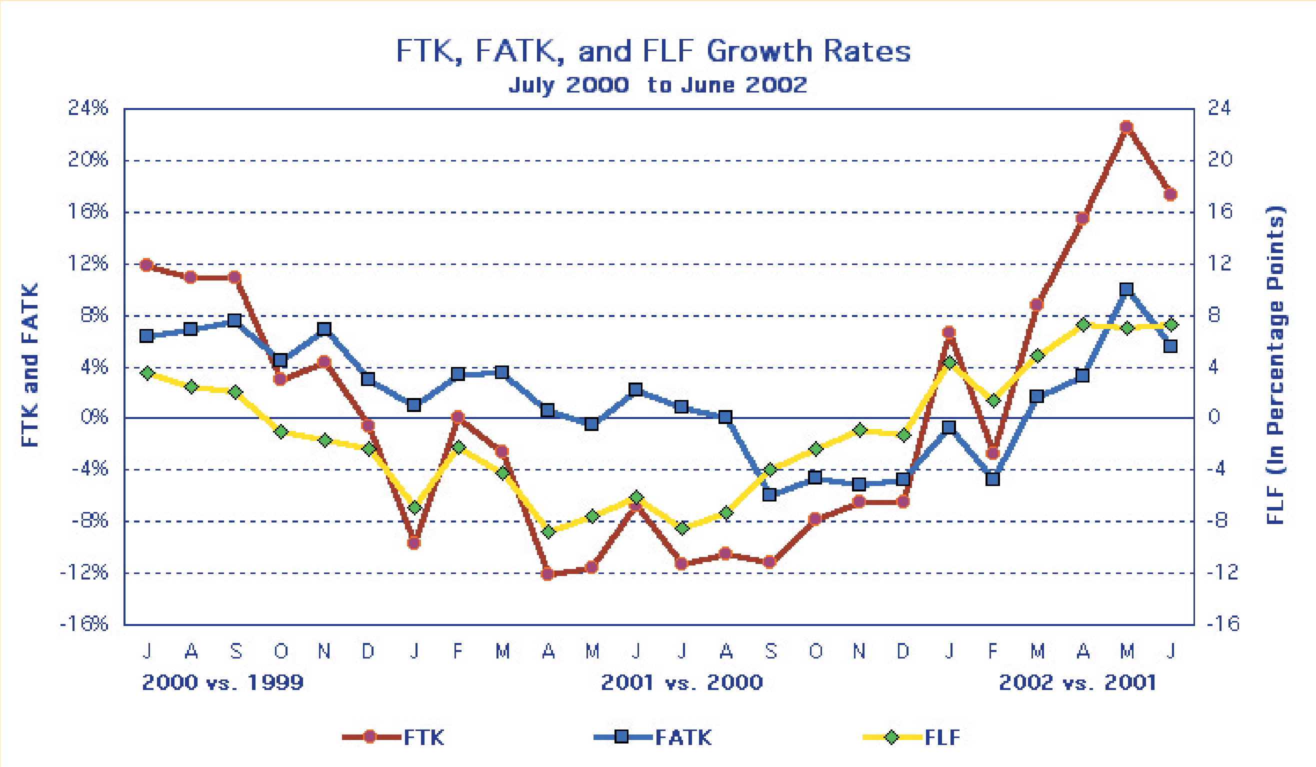
MONTHLY INTERNATIONAL PAX STATISTICS OF AAPA MEMBERS

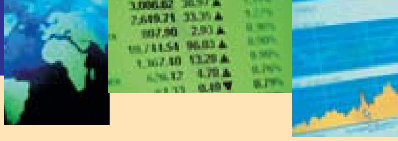




MONTHLY INTERNATIONAL CARGO STATISTICS OF AAPA MEMBERS







AAPA MONTHLY INTERNATIONAL STATISTICS SUMMARY OF CONSOLIDATED RESULTS IN THOUSANDS

2001 TO 2002

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
JUL-01	42,107,236	54,907,670	76.69	2,962,142	4,774,183	62.05	6,909,752	9,789,903	9,474
AUG-01	43,315,945	55,559,023	77.96	2,978,443	4,838,280	61.56	7,031,073	9,907,159	9,825
SEP-01	35,601,847	51,038,190	69.76	3,061,243	4,555,532	67.20	6,406,828	9,210,564	8,229
OCT-01	31,006,991	50,974,094	60.83	3,277,370	4,793,876	68.37	6,151,064	9,438,030	7,475
NOV-01	29,565,610	47,049,593	62.84	3,243,992	4,685,510	69.23	5,978,041	8,974,938	7,211
DEC-01	35,267,317	51,023,617	69.12	3,090,062	4,655,223	66.38	6,346,707	9,307,797	8,384
JAN-02	37,520,527	51,284,409	73.16	2,750,898	4,394,421	62.60	6,304,452	9,077,159	8,498
FEB-02	35,209,377	46,331,945	75.99	2,741,196	4,090,116	67.02	6,475,056	7,897,034	8,321
MAR-02	40,233,597	50,746,146	79.28	3,568,385	4,927,776	72.41	7,377,621	9,578,431	9,358
APR-02	37,980,049	50,588,535	75.08	3,255,749	4,787,739	68.00	6,829,159	9,423,840	8,963
MAY-02	38,072,441	53,703,742	70.89	3,378,178	5,035,468	67.09	6,989,048	9,919,494	8,899
JUN-02	39,361,727	53,590,465	73.45	3,504,672	4,912,292	71.34	7,220,148	9,802,618	8,841
TOTAL	445,242,663	616,797,428	72.19	37,812,330	56,450,417	66.98	80,018,949	112,326,967	103,478

2001 TO 2002

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
JUL-01	-0.24	3.17	-2.62	-11.30	0.89	-8.53	-5.43	3.01	1.24
AUG-01	1.77	4.40	-2.01	-10.53	0.06	-7.29	-4.07	1.80	4.40
SEP-01	-10.31	-0.89	-7.33	-11.22	-6.00	-3.95	-10.86	-3.83	-5.63
OCT-01	-20.93	-3.26	-13.59	-7.84	-4.61	-2.40	-15.20	-4.28	-14.88
NOV-01	-22.28	-8.73	-10.95	-6.44	-5.21	-0.91	-15.13	-7.22	-16.44
DEC-01	-11.27	-5.92	-4.16	-6.55	-4.75	-1.28	-9.93	-5.61	-5.22
JAN-02	-7.92	-5.76	-1.70	6.58	-0.77	4.37	-1.55	-3.69	-6.13
FEB-02	0.19	-3.87	3.08	-2.75	-4.74	1.40	5.74	-9.23	3.87
MAR-02	1.05	-5.08	4.83	8.79	1.63	4.84	5.03	-1.52	3.08
APR-02	0.27	-4.34	3.45	15.47	3.33	7.29	7.06	-0.34	2.87
MAY-02	3.73	-1.46	3.55	22.54	9.93	6.96	12.37	3.92	4.92
JUN-02	0.65	1.37	-0.52	17.25	5.54	7.26	8.32	3.40	-0.03
GROWTH	-5.44	-2.52	-2.23	0.32	-0.46	0.52	-2.40	-1.93	-2.31

CALENDAR YEAR[4]

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
1997	387,763,016	561,392,742	69.07	31,741,381	45,688,853	69.47	67,739,088	96,736,079	88,696
1998	382,106,292	557,130,177	68.58	30,958,021	46,204,321	67.00	66,141,448	97,199,731	86,198
1999	416,820,106	576,253,703	72.33	35,277,459	51,519,550	68.47	74,179,615	104,437,440	94,242
2000	462,466,095	617,787,854	74.86	39,020,611	56,255,588	69.36	82,533,153	112,874,721	103,527
2001	446,262,043	626,881,408	71.19	35,858,596	55,742,084	64.33	77,638,545	112,962,219	102,778
2002	228,377,717	306,245,241	74.57	19,199,078	28,147,813	68.21	41,195,485	55,698,576	52,880

CALENDAR YEAR[5]

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
1998	-1.46	-0.76	-0.49	-2.47	1.13	-2.47	-2.36	0.48	-2.82
1999	9.08	3.43	3.75	13.95	11.50	1.47	12.15	7.45	9.33
2000	10.95	7.21	2.53	10.61	9.19	0.89	11.26	8.08	9.85
2001	-3.50	1.47	-3.67	-8.10	-0.91	-5.03	-5.93	0.08	-0.73
2002[5]	-0.44	-3.19	2.06	11.33	2.58	5.36	6.13	-1.13	1.34

Note:

1. The consolidation includes 15 participating airlines. Consolidated results for JAN - JUN 2002 are subject to revision.
2. KA and NZ do not participate in this report.
3. AN data from JUL 1998 to JUN 2001 only. VN data from JAN 1998 onwards.
4. CY denotes Calender Year (January - December): JAN - JUN 2002.
5. YTD comparison: JAN - JUN 2002 v JAN - JUN 2001.